EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.31,011 Wednesday November 29 1989 D 8523A

CHINA
Dynasties take long march to feudalism
Page 6

World News

EC agrees to create environment watchdog

The European Community agreed at a Brussels meeting on the scope and authority of a European Environment Agency and member states were bidding to capture its prestigious planned headquarters. Page 20

Bush cools summit
US President George Bush sought to reassure allies by lowering expectations about what might be agreed about troop levels at his meeting with Soviet President Mikhail Gorbachev. Page 7

Armenians walk out
The Soviet parliament restored most of Azerbaijan's powers over the disputed territory of Nagorno-Karabakh, enraging Armenian deputies who walked out of the chamber.

US crane topples
A huge construction crane toppled at the building site of the Federal Home Loan Bank under construction in San Francisco's financial district, killing at least six people.

Efforts to save Aoun
France and the Vatican were making diplomatic efforts to save Gen Michel Aoun, Christian Lebanese leader, following an overnight build-up of Syrian military strength around East Beirut. Page 4

Ease EC borders call
The UK and Italy face mounting pressure to agree to remove border controls for EC nationals. Page 2

Warning to Nato
European members of Nato should not count on making the same kind of savings on defence costs as those planned by the US, Mr Gerhard Stoltenberg, West German Defence Minister, warned. Page 3

Hungary plea to IMF
The head of the Hungarian central bank, Mr Ferenc Bartha, said the International Monetary Fund would have to show greater flexibility in its negotiations with Hungary. Page 2

Moscow link sought
S Korea has an "ardent desire" to establish full diplomatic relations with the Soviet Union and other eastern European countries - according to President Roh Tae Woo. Page 6

EC haulage threat
Member states of the European Community will face court action if they fail to take "significant steps" next week to open their domestic road haulage markets to outside competition. Page 2

SA cabinet boost
Mr F.W. De Klerk, South African president, is to strengthen his cabinet's authority by curbing the powers of security officials appointed by Mr P.W. Botha. Page 4

Gunmen kill aide
Gunmen killed the closest aide of Salvadorean President Alfredo Cristiani, personal secretary Jose Francisco Guerrero, outside a restaurant.

Carlos Navarro dies
Former Spanish Prime Minister Carlos Arias Navarro, the man who announced the death of dictator Francisco Franco, has died at the age of 80.

$8.4bn drugs haul
The Mexican Government triumphantly announced the seizure of 5.5 tonnes of cocaine, the largest haul ever in Mexico, with a US street value of $8.4bn. Page 7

Smog falls on Dublin
Dubliners coughed their way into winter with smog levels far above EC pollution safety limits due to a thick pall of smoke from coal fires.

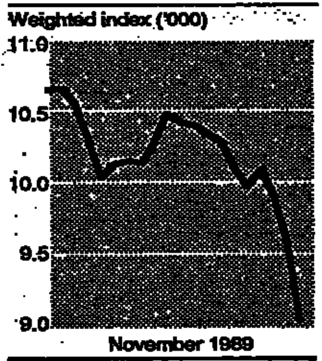
Business Summary

Suez and Baltica in financial alliance

Compagnie Financière de Suez, fast-moving French financial group, and Baltica Holding, Denmark's largest insurance-based financial services company, announced a DKr4.2bn ($581m) agreement to cement what the Danish group called Europe's largest financial alliance. Page 21

TAIWAN suffered its sharpest one-day fall ever as confidence vanished in the face of national and local elections on Saturday. The weighted

Taiwan



index lost 547.98 points, or 5.7 per cent, to 9,040.09 - its lowest level since July 28. Page 36; Markets; Section II

OPEC meeting in Vienna reached agreement on a production accord for the New Year that lifts Opec's official production ceiling by 1.5m barrels a day to 22m b/d. Commodities, Page 32

SMITHKLINE Beecham, Anglo-American pharmaceutical company, received permission from the US Government to start selling its Eminase heart-attack drug in the US. Page 21

STEPHEN Walls, former managing director of Plessey, electronics company which succumbed to a £2bn ($3.12bn) bid from General Electric Company and Siemens, is to head the pulp and paper interests of BAT Industries, tobacco-based conglomerate. Page 21

AERITALIA, Italian state-owned aerospace manufacturer, is in advanced talks to share for the first time in an Airbus Industrie programme. Page 20

JAPANESE companies rely heavily on cost-cutting, including the increased use of part-time labour, to boost profits, says a report published by the Bank of Japan on 619 companies. Page 30

AMERICAN Airlines, largest US airline, is negotiating a co-operation agreement with a consortium of leading European airlines to link its Sabre computer reservation system with the European Amadeus reservation network. Page 22

J. WALTER Thompson, old established advertising agency, is celebrating its 125th birthday by winning back the part of the $50m advertising account for Goodyear Tire and Rubber in the US, which it lost two years ago. Page 34

AKER, big Norwegian industrial group, is spending NKr1.9bn ($277m) to boost its shareholding from 11.3 per cent to 24.8 per cent in Valenciana de Cementos Portland, Spain's cement producer. Page 22

MEXICO: Two leading Mexican financial institutions, Banamex and Nafinsa, concluded an agreement with the EC aimed at joint ventures. Page 8

BOND Media, Australian television and radio company controlled by Mr Alan Bond, queried by the stock exchange over a sudden share price fall. Page 23

DENMARK'S current account is forecast to return to surplus in 1991 for the first time since 1963, according to the country's Economic Advisory Council. Page 3

Coalition Government to be proposed by Sunday ● Assembly will discuss transition

Czechs pave the way for free elections

By John Lloyd, Judy Dempsey and Leslie Colitt in Prague

DEMOCRATIC REFORM swept into Czechoslovakia yesterday as the pillars of the Communist one-party state collapsed after 11 days of demonstrations and Monday's two-hour general strike.

A new coalition Government of Communist and non-Communists is to be presented to President Gustav Husak on Sunday by Mr Ladislav Adamec, the Prime Minister.

The Federal Assembly will today begin to discuss a new constitution paving the way for free elections and a multi-party system.

Yesterday's dramatic developments came just 12 days after the first mass demonstration on November 17. The peaceful but insistent pressure ended 41 years of Communist rule and 21 years of renewed totalitarianism after the brief, doomed liberalisation of the "Prague Spring" in 1968.

A great wedge of territory in the centre of Europe, home to 90m people, has, in less than a year, seen a remarkable transformation. Poland, East Germany, Czechoslovakia and Hungary are now part of the way down the road to open societies and economies - apparently irreversibly.

The Czechoslovakian Government's moves were announced after two hours of talks between the Government, led by Mr Adamec, and the newly-emerged Civic Forum reform movement led by Mr Vaclav Havel, the dissident playwright.

Mr Adamec told the opposition representatives that he would ask the Federal Assembly to:

- End the "leading role" of the Communist Party, guaranteed by Article 4 of the Constitution.
- Drop the Party's dominant position within the National Front – comprising the Communist Party, associated Socialist and Peoples parties and other Communist-led social groups.
- End the hegemony of Marxism-Leninism over all education, replacing it with "scientific and humanistic" values.
- Provide facilities for the Civic Forum, whose branches are spreading everywhere.

Civic Forum said at a press conference last night that all of its demands had not yet been met. Some 30 political prisoners remain in jail and their release is urgently demanded. In addition, Civic Forum said it had sent a letter to the USSR Supreme Soviet and Central Committee asking them to denounce the 1968 invasion of Czechoslovakia.

Civic Forum has warned that fresh strikes and mass demonstrations could be organised at any time. The committees which organised Monday's strike are to become branches of the Civic Forum.

The "government of experts" called for by the opposition group on Monday will draw its members from the rapidly growing reform wing of the Communist Party, from the

Continued on Page 20
Czechs turn to economists, Page 2

West German Chancellor Helmut Kohl (right), with Foreign Minister Hans-Dietrich Genscher, prepares to address parliament yesterday

Kohl's vision of German unity

By David Goodhart in Bonn

CHANCELLOR Helmut Kohl yesterday outlined his vision of Germany unity within a free and peaceful Europe. His plan – Bonn's boldest response yet to radical changes sweeping through East Germany – drew a cautious reaction from East Berlin and Moscow but full backing from most West German parties.

Mr Kohl's 10-point programme for helping East Germany and promoting German as well as European unity included the controversial idea of "confederative structures" between two separate German states which would evolve into a full federation.

Mr Kohl's plan would include an aid programme for the communist state in two stages: emergency aid with few conditions followed by more comprehensive aid dependent on irreversible economic and political reform.

Mr Kohl told the West German Parliament: "Nobody knows exactly what a reunified Germany would look like. However that unity will come.... of that I am sure."

Mr Egon Krenz, the East German leader, said yesterday he was prepared to discussed Mr Kohl's idea of a loose German "federation". But he insisted that the two German states should remain sovereign, and said unity was "not on the agenda."

Mr Kohl is expected to visit East Germany on December 19 one day before Mr François Mitterrand, the French President.

The Kohl plan takes up a proposal that has been endorsed by Mr Hans Modrow, the East German Prime Minister, for a "treaty-based community" between the two states which would breathe new life into existing inter-government committees and create many new ones.

Mr Kohl said that the pro-

Continued on Page 20

Soviets sign big joint-venture deal with Fiat

By John Wyles in Rome

THE SOVIET UNION yesterday signed its largest joint venture agreement with a single Western company, allowing Italy's Fiat Group to join forces with the Soviet state in a L1,800bn ($1.36bn) investment to produce 300,000 small cars a year.

The deal confirms Fiat in the position it first secured as Moscow's favoured Western auto company in 1966 when it was chosen to construct the Vaz car plant at Togliatti.

With a 30 per cent stake in the joint venture, the Turin-based group is set to become the first foreign owner-producer of cars in the Soviet Union. Fiat also earns the right to market outside the Soviet Union up to one third of the annual output of the plant at Yelabuga, 1,000 miles south-east of Moscow.

The Fiat deal coincided with Combustion Engineering of the US announcing it had signed an agreement to create the largest joint venture, in its first phase worth $2bn, in the Soviet Union. This is to produce petrochemical products at Tobolsk in Western Siberia.

Yesterday's announcement by Fiat was a striking curtain-raiser for the arrival in Rome today of the Soviet leader, Mr Mikhail Gorbachev, at the start of a three-day visit including talks with the Italian government, a meeting with the Pope in the Vatican on Friday and the signing of a dozen or more deals between Italian companies and their Soviet counterparts.

Mr Cesare Romiti, the Fiat managing director, and Mr Nikolai A. Pugin, the Soviet Minister for Automobiles and Agricultural Machinery, said that the new Yelabuga plant would start production around the end of 1993 and beginning of 1994. Its product would be a "new and original design", said Mr Romiti, of a two and four door saloon powered by a 1,000cc engine.

The Fiat chief claimed that the new venture would be capable of returning a 6 per cent gross profit on sales.

In an attempt to step around problems posed by the non-convertibility of the rouble, the Yelabuga plant will become what he called "a currency enclave." This means that its general accounts, cost analyses and sales will be denominated in European Currency Units - the basket of European Community member currencies. Revenues from foreign sales, meanwhile, will fund Fiat's dividends.

While the new joint venture will concentrate on producing body pressings to final assembly, engine and transmission manufacturing will be performed by a Soviet entity.

Fiat drives east, Page 8

AMP takes control of Pearl in biggest UK insurance takeover

By Ray Bashford in London

AUSTRALIAN Mutual Provident yesterday clinched the biggest ever takeover in the UK insurance industry when it seized control of Pearl Group through further heavy buying on the share market.

Ending a 125-year history of independence for Pearl, Australia's largest insurance company increased its holding in the company from 44.9 per cent to 55.3 per cent after an eight-week takeover battle.

AMP flushed out several key institutional holders in the morning with its offer of 690p a share and support from institutions swelled during the afternoon, allowing the company to buy a total of 17.9m shares in the session.

Mr Ian Salmon, chief of the AMP's international operations, said that the victory showed that the City accepted its argument that the £1.24bn offer fully values the company.

"The City is a hard judge and we are pleased with its decision," he said. "We are going to make sure that the Pearl becomes a much more dynamic company and recovers its market position."

Mr Einion Holland, the chairman of Pearl, was unavailable for comment but is expected to release a statement this morning.

The victory advances significantly AMP's plan to reduce its dependence on the Australian market, where scope for growth is relatively limited.

The takeover also allows the company to take a major step towards its goal of capturing a 5 per cent stake of the UK life assurance market by the end of 1991, as measured in terms of new business.

This plan was spelled out during its fight for control of London Life, the mutual life insurer, which succeeded in March this year.

Pearl is estimated to have about 3.5 per cent of this market and coupled with the stake gained through the London Life takeover, AMP already has about a 4 per cent share.

Mr Salmon said that the slice of the market would be increased further in part through increased management efficiency and more aggressive marketing of the company's products.

He added that Pearl would be used as a base for Continental European development, most likely through cross-border joint ventures in marketing.

The AMP launched its first offer of 605p a share while holding an 18 per cent stake and moved quickly earlier this month to take its stake to 38 per cent after lifting the bid to 690p a share.

The 13 per cent of the holding was bought in as a block at significantly below its final offer price. AMP is believed to have paid an average of between 635p and 640p a share, meaning that it will have paid a maximum of £1.15bn for the company.

Pearl's shares eased 3p yesterday to close at 688p.

Chancellor reticent on attitude to sharp fall of sterling

By Philip Stephens and Peter Norman in London

A SIGNIFICANT shift in the UK Government's policy towards sterling appeared to be confirmed yesterday by Mr John Major, Chancellor of the Exchequer, who also warned that this month's inflation rate might show a renewed rise.

Speaking in the House of Commons during the final day of the debate on the Queen's Speech, Mr Major repeated his determination to slow the pace of price rises by keeping interest rates as high as necessary for as long as necessary.

He refused, however, to respond to pressure from MPs to detail his attitude to the sharp fall in the pound's value since his appointment last month.

Mr Major also dropped from his prepared text the repeated reference in his previous speeches over the past few weeks to his desire for a "firm" exchange rate.

Treasury officials sought to play down the significance of the omissions and insisted that the Government still favoured a strong pound. The officials pointed out that Mr Major had said he would take a range of monetary indicators, including the exchange rate, into account when setting the level of borrowing costs.

Mr Major's speech, however, was seen at Westminster as confirming acceptance of the near 4 per cent devaluation seen since last month and as indicating that he would avoid any commitment to defending a particular level for sterling.

That impression has been reinforced by remarks last week by Mrs Margaret Thatcher, the Prime Minister, who said that the last rise in interest rates to 15 per cent had not represented an attempt to prop up the pound.

It also appears consistent with the significantly greater concern than his predecessor that Mr Major has shown over the need to reduce the trade deficit – a view he again emphasised yesterday.

Pressed on whether full membership of the European Monetary System would have prevented the pound's latest weakness, he said there was "much to be done" before sterling could be taken into the exchange rate mechanism.

Mr Major gave no specific forecast of the inflation rate this month but in a clear attempt to prepare the finan-

Continued on Page 20
Lex, Page 20

MARKETS

STERLING
New York lunchtime: $1.567
London: $1.5625 (1.5605)
DM2.7925 (same)
FFr9.535 (9.5375)
SFr2.4925 (2.505)
Y224.5 (223.75)
£ Index 86.3 (86.2)

GOLD
New York: Comex Dec $413.5 (414.1)
London: $410.75 (415.25)

N SEA OIL (Argus)
Brent 15-day Jan $18.20 (18.425)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.7785
FFr6.076
SFr1.5875
Y143.595
London:
DM1.787 (1.79)
FFr6.1025 (6.1125)
SFr1.5955 (1.6045)
Y143.7 (143.35)
$ index 69.2 (69.1)
Tokyo close: Y143.65

US LUNCHTIME RATES
Fed Funds $9\frac{1}{4}$%
3-mo Treasury Bills: yield: 7.93%
Long Bond: $102\frac{3}{16}$
yield: 7.915%

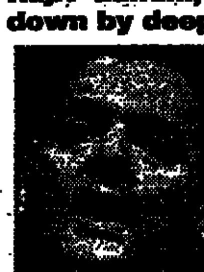
STOCK INDICES
FT-SE 100: 2,242 (+17.7)
FT Ordinary: 1,768.3 (+15.1)
FT-A All-Share: 1,123.52 (+0.8%)
New York lunchtime:
DJ Ind. Av. 2,697.1 (+2.13)
S&P Comp 345.55 (−0.06)
Tokyo: Nikkei 36,987.16 (+103.77)

LONDON MONEY
3-month interbank: closing $15\frac{1}{8}$% (same)
Liffe long gilt future: Dec $90\frac{3}{32}$ ($90\frac{7}{32}$)

MARKET REPORTS: CURRENCIES, Page 40, BONDS Page 25-26
COMMODITIES, Page 32, EQUITIES Pages 33 (London), 41 (World)

CONTENTS

Rajiv Gandhi, a premier brought down by deep insecurities



Five years ago, Rajiv Gandhi won the largest landslide achieved by any Indian Prime Minister. This week he suffered one of the worst defeats in his party's history. In between lies a tale of good intentions gone wrong.
Page 4

EC states face court threat on road haulage

By Tim Dickson in Brussels

MEMBER states of the European Community will face court action if they fail to take "significant steps" next week to open their domestic road haulage markets to outside *competition*.

The threat was delivered yesterday by Mr Karel van Miert, the EC's Transport Commissioner, who said the issue was a "vital precedent" for liberalisation in other transport areas, notably aviation and shipping.

Speaking before Monday's important meeting of EC transport ministers in Brussels, he said the Commission had *shown considerable patience* in negotiations over its proposal for a package of road haulage "cabotage" – the freedom, currently denied, for non-residents in a member state to offer transport services within that country's borders.

Successive discussions in the European Council have failed to break the deadlock over what many in Brussels see as an essential development if the EC is to achieve a genuinely single market in road transport. But, as Mr van Miert pointed out yesterday, a ruling by the European Court of Justice in 1985 made clear that cabotage is an obligation under the Treaty of Rome, the EC's founding charter, and that member states were duty bound to introduce it " within a reasonable timespan".

That reasonable delay is over, Mr van Miert insisted, and "if there is not a first significant step in the [cabotage] direction next Monday and Tuesday I do not think that the Commission can do otherwise than to go back to the Court."

He added: "I would much prefer that we go ahead in the normal way with agreement between ministers but if there is no progress the Court of Justice will have to make transport policy."

Mr van Miert's determined stance, reminiscent of the tactics used by Mr Peter Sutherland, the former competition commissioner, to force through the so-called "first package" of deregulation in aviation, comes amid signs that the French Government is softening its intransigent approach.

Mr Michel Delabarre, the *French Transport Minister*, in his capacity as president of the EC Transport Council, was last month promoting a much more cautious alternative to the ideas tabled on cabotage and almost agreed under the previous Spanish presidency.

Recent discussions, however, suggest that up to 11 member states (including France) may now be prepared to back an experimental scheme involving around 5,000 cabotage licences, valid for three months.

The main opponent now seems to be the West German Government.

Hungarians want more flexibility from IMF

By David Lascelles, Banking Editor

THE HEAD of the Hungarian central bank, Mr Ferenc Bartha, said yesterday that the International Monetary Fund would have to show greater flexibility in its negotiations with Hungary.

Mr Bartha is due to meet IMF officials in Budapest today to discuss a $1bn short-term stabilisation loan for his country. Speaking in London he said the IMF should not insist on "front loading", the practice of setting targets for key economic indicators such as the national budget and the current trade account as a condition for finance.

"Front loading is not possible any more in democratic East Europe," he said. Mr Bartha, addressing a meeting organised by the Osterreichische Länderbank, implied that official finance should be *aimed at facilitating* reforms rather than identifying performance targets.

He said he expected the Fund negotiations to centre on reducing Hungary's current account deficit, cutting state subsidies, and devaluing the forint, the national currency.

Hungary was reluctant to make another devaluation soon, he said, because this would only add a further stimulus to domestic inflation, which was currently running at 16-17 per cent.

the beginning of this year.

UK, Italy face border control pressure

By Charles Leadbeater

THE United Kingdom and Italy will soon come under mounting pressure to agree to remove border controls for EC nationals travelling within the community, it was predicted yesterday.

Mr Riccardo Perissich, deputy director general for the internal market programme, said in London that pressure would follow an agreement due to be signed on December 15 between France, West Germany and the Benelux countries, removing controls in their five countries.

This would force the UK and Italy to choose between extending the reach of the agreement or accepting that they would join the slower portion of a two-speed Europe. The UK has said controls would still be needed as a check on drug smuggling and the movement of terrorists, and because of problems with indirect taxes.

The other main issue which stands in the way of the abolition of border controls is the lack of harmonisation of indirect taxes. This issue has not been dealt with the in so-called Schengen convention between the five countries.

However, Mr Perissich praised the UK for being one of the most efficient countries in implementing EC legislation covered by the internal market programme. He said a survey, due to be published in the next few days would probably show that Denmark was the most efficient, with the UK and France close behind.

Czechs turn to economists for deliverance

John Lloyd and Leslie Colitt on a group hitherto barely tolerated by the authorities

IT MUST have been bliss to be in the *Czechoslovak opposition* these past 10 days, but to have been an opposition economist must have been very heaven.

A clutch of clever men, who spent most of their past two decades being ignored, sacked and slandered are being looked to for national deliverance. One is being talked of as prime minister.

He is Professor Valtr Komarek, 59, head of the hitherto barely tolerated Prognostik institute. He, with his deputy Vladimir Dlouhy and associates such as Vaclav Klaus, now economic adviser to the Civic Forum, has in the past year delivered a series of warnings on the deterioration of the economy: warnings that convinced Mr Ladislav Adamec, the Prime Minister – but *no-one else in the power structure.*

Mr Milos Zeman, who until recently worked in the Agricultural Economics Institute, won a huge public following in August when he published a piece called "Forecasting and Perestroika", which explicitly linked economic with political change.

His division of forecasting was closed: Mr Miloslav Stepan, fired as Prague party boss two days ago, said of it: "I am against forecasters because they tell us what will happen in 2005 but we want to know what happens on Tuesday, Wednesday and Thursday."

Acting as a meeting point for these and other streams is a group headed by Professor Vladimir Kadlec, a 77-year-old economist who was education minister under Alexander Dubcek and was before 1968 rector of the Economics High School in Prague. (He has not been allowed a good job since.)

The group is rich in former Dubcek ministers and includes Mr Jiri Hanzelka, a respected writer who has functioned as a kind of hand-maiden of various initiatives.

The active economists among these men have all experienced the same fate. Their forecasts were ignored and they were frequently fired. Mr Zeman says that when, in 1976, a group of Slovakian economists produced, to government order, forecasts on living standards, their findings that these would stagnate over the following 10 years were classified as top secret: *the economists were* then discovered not to be cleared to work with top secret material – their own – and dismissed. (Do not forget that Franz Kafka is Czechoslovakia's most famous author.)

Now Prof Komarek is among the most famous men in Czechoslovakia, Mr Zeman's wit delights mass rallies and Prof Kadlec's group has quietly finished a streamlined version of its programme.

They differ on many points, but this is common among them: the country has, at least for a decade, suffered a series of economic catastrophes, the largest of which has been the spending of loans and of other funds which should have been invested, on consumption, filling the shelves to avoid discontent, consuming capital to keep communism in power.

Prof Kadlec reckons the country's total needs – repayment of debt, investment, stabilisation funds, environmental protection – amounts to 1,000bn crowns (£42bn).

Vladimir Dlouhy, speaking of his own and Prof Komarek's work, says the immediate future looks still bleaker, as the machinery and equipment exports to the Soviet Union which make up a huge 70 per cent of Czech exports, will be cut by 20-30 per cent over the next three to five years. This machinery, he says, is largely unsaleable elsewhere in the world.

Mr Zeman is particularly concerned by the educational crisis, pointing to a plunge in percentage of adults who have been to university to 6 per cent.

What is to be done? For Prof Komarek and Mr Dlouhy, the bare essentials are:

- Autonomy for the enterprises.
- Convertibility of the currency through a step-by-step devaluation of the crown.
- Liberalisation of foreign trade.
- The institution of a privatisation programme.
- The promotion of the sale of companies abroad, stressing the advantage of a highly-skilled labour force with wage levels 30-40 per cent lower than Western Europe (though with productivity also 20-30 per cent lower).

Mr Zeman is also attracted to workers taking shares in their companies, having been impressed by the hard work and re-investment of profit evident in Czechoslovakia's miniscule private sector.

He wants foreign investment (not foreign aid) but opposes the dumping of polluting plants in a country where 24 tonnes of pollutants settle on each square kilometre every year (against, by comparison, half a tonne in Sweden).

Now they worry as to how to present this to a people used to comfort. They all broadly agree it must be done soon – "but not", says Mr Zeman, "until after the next election, when the euphoria after the election of the first democratic government can be used to tell the people the truth."

This, too, is a common theme – the trading of democracy for a period of a fall in living standards – perhaps, Mr Zeman thinks, by 30 to 50 per cent. They bank not just upon an outpouring of democratic enthusiasm, but also a sense of national pride.

Czechoslovakia had been before 1939 10th in the world in terms of income per head: they hope national pride can be mobilised so that the switch from consumption to investment can be made in the name of recreating a wealthy, and efficient state.

Church dispute casts shadow over the other summit

By John Wyles in Rome and Quentin Peel in Moscow

ITALY'S Catholic press may be calling it the "summit of the century" but prospects for an historic breakthrough at Friday's meeting between the Pope and Mr Mikhail Gorbachev have been overshadowed by a recent row between the Russian Orthodox Church and the Vatican.

Talks between Catholic and Orthodox prelates in Moscow were indefinitely postponed because of the seizure from the Orthodox of a church in Lvov, western Ukraine, by followers of the underground Uniate church, which Rome wants legalized.

Opposition from the Orthodox church is seen as the main obstacle to the reversal of Stalin's decision in 1946 to suppress the Uniate Christians, who follow Eastern rites but look to the Pope as spiritual leader.

Archbishop Kirill of Smolensk and Kaliningrad, the Orthodox hierarchy's new head of foreign relations, said yesterday, referring to the church seizure, that: "To have a session of official dialogue in such an atmosphere was not timely . . . We must get out of this dangerous atmosphere of violence, in order to create more favourable conditions for the dialogue."

The prelate's tough line was seen as particularly striking in view of his reputation as a relative moderate compared with his predecessor, Archbishop Filaret of Minsk.

The Vatican, for its part, remains keen to seize the possibility for creating a "normal" relationship with the Soviet state, and for redressing the wrongs still weighing down on the Soviet Union's 12m or so Catholics.

With Mr Gorbachev's blessing, a start has already been made. In the summer, the Pope was able for the first time since 1917 to appoint a bishop to the city of Minsk as head of the 2m or so Catholics in Byelorussia.

The Vatican has also been allowed to restore much of the Church's administrative structure in Lithuania.

Bilateral contacts have increased enormously over the past 18 months – the Vatican's Secretary of State, Cardinal Casaroli was received by Mr Gorbachev last year – but the world's largest and smallest sovereign states still exchange no formal representation.

A papal spokesman said yesterday the Pope was hoping for three things from his meeting with Mr Gorbachev: the birth of "permanent and stable" contact with the USSR; the rapid approval of the law on freedom of religion which would open the way to resolving the Uniate problem; and the realisation of his "unchanged desire" to visit Lithuania.

But Mr Gorbachev, whose devout mother had him baptized and is believed to practise the Orthodox faith with devotion, finds himself caught between two powerful nationalisms – Russian and Ukrainian – as he confronts the Uniate question.

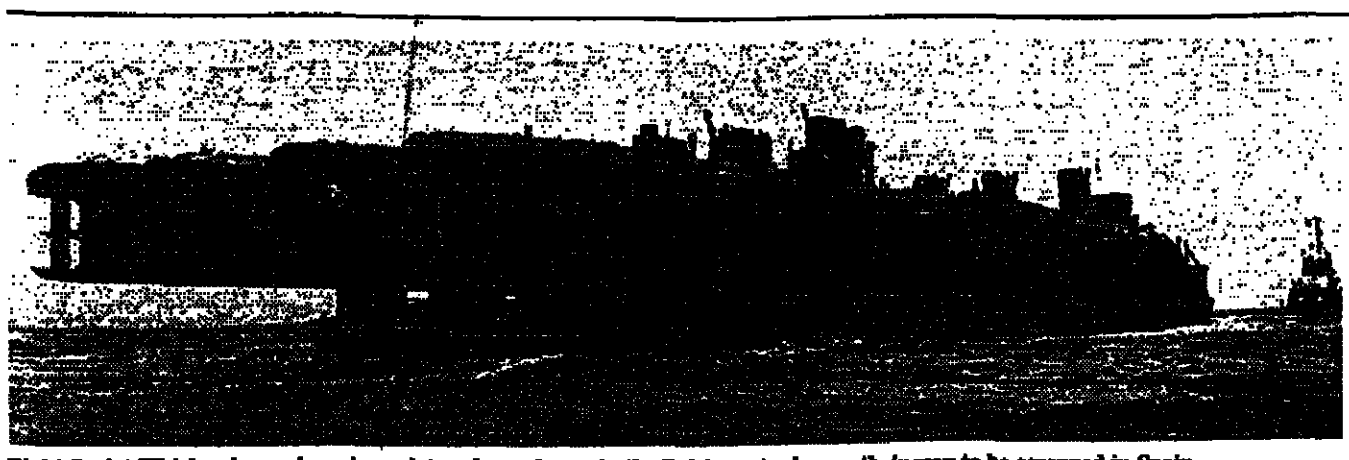
A SPLIT has opened up in Leningrad's Communist party after Mr Boris Gidaspov, thecity's hard-line party boss, last week implicitly criticised MrMikhail Gorbachev for his reformist policies and his failure to heed the voice of ordinary Communists, writes John Parker in Moscow.

Mr Yuri Sobchak, a Leningrader and one of the most respected members of the Supreme Soviet, accused the Leningrad party chief of pandering to conservative extremists in the party.

Mr Gidaspov, an industrialmanager who took over as Leningrad's regional party chief this summer, has emerged as a standard bearer for old-fashioned Communist ideology, usually associated with Mr Yegor Ligachev, Mr Gorbachev's rival in the politburo. Last week, he pushed aside the number two in the city's hierarchy, issued a clarion call for stricter party discipline and attended a mass rally of Leningrad Communists which passed a resolution saying: "We categorically oppose the restoration of bourgeois order".

Mr Sobchak excoriated this gathering as hysterical and said Mr Gidaspov should not have given his sanction to it. He added that the merging of the city and regional Communist party bureaucracies – the device by which Mr Gidaspov took full control of the city apparatus – was reminiscent of Stalin.

EUROPEAN NEWS



Eight Soviet Whisky class submarines pictured on a barge in the Baltic yesterday on their way to be scrapped in Spain

US allies warned on defence costs

By David White, Defence Correspondent, in Brussels

EUROPEAN members of Nato should not count on making the same kind of savings on defence costs as those being planned by the US, Mr Gerhard Stoltenberg, the West German Defence Minister, warned yesterday.

Speaking to journalists during a ministerial meeting of Nato's Defence Planning Committee, Mr Stoltenberg said it would be a mistake to conclude from the US plans that all allies should correct their spending provisions downwards.

The US reductions foreseen after a Vienna Treaty on East-West conventional forces would mean that European allies would have to take "a relatively *bigger share*" of the overall Nato burden, he said.

Ministers received an extensive briefing from Mr Dick Cheney, the US Defence Secretary, on plans to reduce the defence budget for the fiscal year beginning next October and to seek more sweeping reductions of \$150bn to \$180bn (£115bn) over the following three years.

Against a background of criticism from some European countries that the US had given the "wrong signals", he emphasised that no reductions in US forces in Europe were planned outside the context of the Vienna arms talks. Nato proposals in Vienna include a 30,000 reduction in US army and air force personnel, in *exchange for* a reduction in Soviet forces in Eastern Europe to an equivalent level of 275,000. He also reassured allies about prospects for a continued US military presence in Europe.

However, a clear discrepancy appeared to be emerging between the US and its allies over assumptions about further force reductions after an initial Vienna treaty is signed.

Mr Stoltenberg, who said a treaty might be signed in the autumn or even in the summer of next year, said Nato had to take this step first before embarking on a further one. The UK, in particular, is seeking a pause in the process.

However, the outline US plans for the medium term appear to be geared to substantial further cuts in the forces massed by the two alliances in Europe.

Mr Stoltenberg said that all ministers had attached importance to the maintenance of "forward defence" of the Nato area.

Despite evidence of a slowdown in Soviet military production rates, ministers and officials warned yesterday that output was still sufficient to maintain Soviet conventional arms superiority.

General Vigleik Eide, Norwegian chairman of Nato's Military Committee, said Moscow should consider reducing its tank production further, in keeping with the 20,000 limit for each alliance which is the target at Vienna.

Malta moves heaven and earth to rise to a mighty occasion

By Godfrey Grima in Valetta

"WE'RE POSITIVELY winning," says Mr Richard Cachia Caruana, the Maltese government aide rushing to complete a massive logistics programme in time for this weekend's US-Soviet summit.

Presidents George Bush and Mikhail Gorbachev will confer on warships berthed inside Marsaxlokk harbour, a village on the south coast which was once a Nato fuelling depot and is now used for bunkering by Soviet merchant ships.

Maltese, US and Soviet summit planners find the island's minuscule size more of an advantage than a handicap, putting everything within easy reach.

An hour after Prime Minister Eddie Fenech Adami was asked to host the summit three weeks ago, some 1,600 de luxe and four-star hotel beds were block-booked for aides and journalists and presidential aides.

Teams of government experts under Mr Cachia Caruana were able to identify within 24 hours which of Malta's services could buckle under the stress of the summit.

Mr Bush's accoutrements include 16 Cadillacs which rolled out of a US Air Force Galaxy transporter last week, and a special switchboard that keeps him in constant touch with Washington. The bosses of Malta's frequently maligned telecommunications agency, Telemalta, will have much to answer for should the complex electronic wizardry now being installed – switchboards, computers, earth stations and an extra 1,600 telephone lines – fail to meet expectations.

The prospect brings Mr John Scicluna, the company chairman, out in a cold sweat, but, says Mr Cachia Caruana: "We now have it from both the Soviets and the Americans that we're doing much better than expected."

> The Soviet warship co-hosting the summit, the cruiser Slava, yesterday dropped anchor close to the US cruiser Belknap, Reuter reports from Malta. The vessel is 17 years younger than its co-host which was devastated by fire 14 years ago. Belknap collided with an aircraft carrier causing a devastating fire. The Greenpeace environmental group has claimed that a nuclear accident nearly resulted when the fire threatened the Belknap's nuclear weapons. The US Navy denies any such nuclear crisis took place.

At a humbler level, the summit is bringing into sharp focus the trading instincts of the Maltese. Restaurants, hotels and taxi-drivers have all been warned not to inflate prices. Boat owners, demanding exorbitant sums from reporters seeking a closer look at the warships, may prove harder to restrain.

Even parish priests have fixed stiff price tags for television companies who have spotted church belfries as ideal sites for their dishes and radio repeaters. A press centre has been set up at a converted 400-year-old hospital built by the Knights of Malta overlooking the island's splendid natural harbour of Valetta.

Having been propelled, at such short notice, to the centre of world attention, the Maltese authorities are naturally anxious to leave a favourable impression. As the summit gets under way, Marsaxlokk will take on a carnival atmosphere with bands, concerts and firework displays.

The island's 16th-century capital and its fortifications are already basking in floodlights as Maltese, Soviet and US flags flutter at every corner.

The opposition Labour Party, whose suggestion of a meeting between Mr Bush and Libya's Colonel Muammer Gadaffi made little headway, has a different programme on offer: prayer vigils and an anti-nuclear demonstration.

Denmark on course for surplus

By Hilary Barnes in Copenhagen

DENMARK'S current account is forecast to return to surplus in 1991 for the first time since 1963, according to the country's Economic Advisory Council. Its semi-annual economic survey warns, however, that a surplus is dependent on the maintenance of the Government's tight fiscal policy.

It expects demand to be held up almost entirely by exports, and to increase by about 4 per cent in real terms in 1990 and 1991. Gross domestic product should grow at about 1.1 per cent in 1990 and 1.7 per cent the year after.

The report's good news was somewhat marred, however, for Mr Poul Schlüter, the Prime Minister, by the fact that his embattled minority Government may have to fight a general election in January if it is to be in office to enjoy the economic success.

The latest round of talks with the tax-protest Progress Party to seek the party's support for the 1990 finance bill, which receives its final reading in Parliament on December 14, have proved discouraging. This increases the likelihood that Progress will join the Socialist parties to defeat the bill, thus forcing the third general election in two and a half years.

Islam rekindles war of church and state

By George Graham in Paris

FOR the past two months, Fatima, Leila and Samira have dominated French conversation everywhere and have succeeded in setting politicians – and in particular the left – at loggerheads.

The three girls, of North African origin, refused to take off their headscarves at their school in Creil, north of Paris, and were suspended from classes.

The phenomenon is, it must be said, limited: other problem cases have arisen, but some 350,000 Moslem girls manage to go to school in France without difficulty, either because they do not insist that they should keep their scarves on, or because their teachers do not insist that they take them off.

European Diary

France

Hydra-like, however, the case of the Creil schoolgirls continues to throw up new points of contention, from the relatively trivial (pork in school canteens) to the more serious (the emancipation of women under Islam, and the integration of immigrants into French society).

"I have changed my mind three times in the last three weeks," admitted one Socialist Party member. Another replied: "I have kept the same opinion, but three times I have changed my reasons for holding it."

The division within the party is likely to become deeper, for the subject will be a key one at the next party congress in March where, at the same time, contenders for the succession to President François Mitterrand will be lining up.

One is Mr Lionel Jospin, Minister for Education, who has to manage the Creil problem, and who seems unlikely to be able to dissociate himself from the question by referring it to the Council of State for a legal opinion.

While some aspects of the debate are clear enough – the reaction to Islamic fundamentalism or to the subjection of women in Moslem society – the brunt of the battle is being fought on a different terrain, and one which remains strange and incomprehensible to many foreigners: on the concept of *laïcité*, the idea that religion has no business in school.

"*Laïcité* does not mean the neutrality of the state towards different beliefs. It means that there is no place in the state, including the state schools, for religion – any religion," says one ardent defender of a headscarf ban.

Mr Michel Rocard, the Prime Minister, backs his education minister but has been numbered among the moderates on the issue. "A multi-confessional school is not a lay school," he says. "The republican state considers that the lay school should not be a place for competition between religions, but a place where all religions are put into parentheses."

Mrs Danielle Mitterrand, on the other hand, feels that "if today, 200 years after the Revolution, *laïcité* cannot welcome all religions, all forms of expression in France, then we have taken a step backwards".

But a recent opinion poll shows that 69 per cent of those questioned feel that *laïcité* means "avoiding affirming your convictions, religious or otherwise".

This means, of course, that, like the Moslem headscarf, neither the Jewish skull cap nor the Christian cross may be worn at school. In fact, the doctrine of *laïcité* owes its origins to the battle against a militant Roman Catholic church at the end of the 19th century.

In practice, however, no-one is frightened any more by the cross or the skull cap, while militant Islam sends shivers down spines on the left as it does on the right.

The reactions of many within the Socialist Party, however, are still surprising for an outsider.

"Those who for 15 years have tried to sell us the 'right to be different' proclaim the charms of the 'American model'. But it is not the US that they are preparing for us – even supposing that that were desirable – it is quite simply Lebanon."

The unwary stranger has to pinch himself to remember that the writer of these words is Mr Jean-Pierre Chevènement, the Defence Minister, champion of the left, arguing in the name of tolerance, and not some supporter of the extreme right.

"At stake," he says, "through the integration of these millions of children, is the cohesion of French society in the next century."

The key word "integration" has thus made its way back into the vocabulary of the left, which had until recently phrased the problem of immigration largely in terms of opposing the racism of Mr Jean-Marie Le Pen and his extreme right-wing Front National.

Integration, however, is conceived largely in terms of assimilation to a still relatively homogeneous French national identity. Immigration experts such as Ms Dominique Schnapper, of the Paris School of Social Sciences, define success in terms of resistance to alien traditions, and claim with pride, if a little myopia, that French immigration policy has avoided the creation of ghettoes.

It is hard for the foreign observer to avoid the feeling that this will be more difficult with the current generation of mainly North African immigrants than it was with the Polish, Portuguese and Italian arrivals earlier this century.

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OVERSEAS NEWS

France attempts to save Aoun from bloodbath

By Lara Marlowe in Beirut

FRANCE and the Vatican were making diplomatic efforts yesterday to save Gen Michel Aoun, the Christian Lebanese leader, following an overnight build-up of Syrian military strength on the approaches to East Beirut.

Early yesterday morning, Syrian troops closed the main route from Damascus to civilians. The Syrians are reported to have brought in 800 truckloads of soldiers, 120 pieces of artillery, 40 multi-barrelled rocket launchers and 90 tanks. A limited attack on an area under Gen Aoun's control, such as Soukh el-Gharb, was expected last night or today.

Mr François Scheer, director general of the French Foreign Ministry, spent three hours with Mr Elias Hrawi, the Maronite president, who has promised to unseat Gen Aoun, in Mr Hrawi's temporary residence at the Chtaura Park Hotel in the Bekaa valley. Monsignor Pablo Puente, papal envoy, also attempted to mediate.

The US supports President Hrawi, while many French officials remain privately sympathetic to Gen Aoun.

Syrian units in West Beirut yesterday took over positions of the pro-Iranian Hizbollah militia at Hay Mahdi, Bir el-Abed and Hay el-Sellum, throughout Beirut's southern suburbs. The southern suburbs lie just across the demarcation line from Gen Aoun's headquarters in the presidential palace at Baabda.

Mr Elie Hobeika, former head of the Phalange militia, was reported to be waiting with his Christian militiamen at Hadeth, just to the south of Soukh el-Gharb.

Gen Aoun meanwhile began mobilising a "human shield" of several thousand people around the palace. A top civil servant in East Beirut estimated that 50 to 60 per cent of the Christian area's population were loyal to the general.

Moslem Lebanese and Syrian army officers hope that a military blow to Gen Aoun, such as the loss of Soukh el-Gharb, would persuade the Christian 5th and 10th brigades under his command to come over to Gen Emile Lahoud, who was named the new commander-in-chief of the Lebanese Army.

Gandhi: a premier undermined by deep insecurities

David Housego reviews a rule which began amid public acclaim and has ended in humiliation

IT WAS Mr L. K. Advani, president of the radical Hindu BJP party, who raised publicly the question that these days many Indians are voicing to themselves: "How will future historians explain the phenomenon of Mr Rajiv Gandhi – a man who in so brief a time soared so high in public esteem and sank so low?"

Five years ago he was elected in the largest landslide victory achieved by any Indian Prime Minister and took up office with that sense of excitement, youthful promise and crossing new frontiers that gripped the United States when John Kennedy took over the presidency.

This week he has suffered the second largest defeat in the history of the Congress Party, been rejected across the northern Hindi-speaking belt, which acclaimed him so vociferously in 1984, and had his name besmirched by allegations of "vote-rigging" in his own constituency of Amethi, which many Indians see as degrading to the office of prime minister.

Between these two landmarks lies a sad tale of good intentions that went unfulfilled; of relations with colleagues, state governments and other countries in the region that bred distrust; of growing isolation from public opinion; of a Bofors scandal that eroded Mr Gandhi's credibility and damaged India's democratic institutions, and of an opportunistic exploitation of Hindu-Moslem divisions in the election campaign that will leave scars on India's secular traditions.

Mr Gandhi came to power with several factors working in his favour. India in 1984 felt wounded by the brutal assassination of Mrs Indira Gandhi and turned open-hearted to her son for reassurance. Mrs Gandhi had ended her administration a tired woman who had allowed day-to-day political manoeuvres to crowd out longer-term considerations. Mr Gandhi brought with him enthusiasm, an instinct for reform and for clean government, and a realisation of the need to modernise the Indian economy by opening it up to competition.

As against this, his career of airline pilot had given him no experience of politics or government. He also suffered from another big drawback, namely that the massive security precautions needed to protect a prime minister after Mrs Gandhi's murder inevitably cut him off from the contact with crowds that is the lifeblood of an Indian politician.

Mr Arun Nehru, his cousin and probably closest associate in his early days of power but now an opposition leader, believes that Mr Gandhi's big weakness as prime minister was his constant shifts in opinion and inability to stick to a decision he had made.

He announced important reforms to bring fresh air into the Congress Party but then abandoned them. He negotiated an agreement for a settlement in the Punjab but went back on his word. He stood out against the Moslems being allowed to practise their own personal law over divorce but then caved in to fundamentalist Moslem pressure.

These constant shifts cost him the confidence of his colleagues. He in turn suspected that they were carving out their own careers and plotting against him. For all the air of confidence and unflappability Mr Gandhi projects, he is a man of deep insecurities. A succession of cabinet reshuffles to bring loyalists into the Government left him without colleagues of stature and independence of judgment.

One diplomat compares Mr Gandhi with the former Shah of Iran. Both had the same commitment to modernisation and drew around them bright technocrats attracted by the possibilities of short cuts to development that seemed to lie in dynastic power. But Mr Gandhi, like the Shah, was unable to implement his policies because he lost contact with the political process that provides a two-way communication. He developed no real base in the Congress Party. He stopped meeting the press, except for rare interviews or brief exchanges at an airport.

His growing isolation was symbolised by the fortress-like residence in which he was forced to live in New Delhi for security reasons. It was also increased, many believe, by having a foreign wife. As an Italian, Mrs Sonia Gandhi was unable to bring that feedback from the Indian family network that an Indian wife could provide.

The Bofors scandal played a big part in Mr Gandhi's undoing. There are still doubts over who benefited from the commissions on the $1.3bn arms contract. Mrs Indira Gandhi would have certainly have been ruthless enough to have removed members of her inner circle who came under suspicion and thus damaged her image as prime minister.

Mr Gandhi never did so – which encouraged suspicions that he was involved in a cover-up. Suspicions turned to documented accusations as statements that he and other officials involved made to Parliament over the Bofors controversy were found to be incorrect. As the quagmire deepened, the country's institutions – the office of the prime minister, Parliament, the police and judiciary – were seen to suffer from their involvement.

Mr Gandhi, like the Shah, felt the criticisms of him were unfair or ignored the favourable side of the picture. The economy entered a period of higher growth. India's fast-expanding middle class did well. Mr Gandhi's image stood much higher with foreign leaders and businessmen than it did with domestic opinion. All these factors combined with the prestige of the Nehru family, India's long-standing fear of the instability that an opposition government could bring, and the conservatism of a rural society, gave him the feeling that he could win the election.

Mr V.P. Singh, the leader of the opposition but formerly Mr Gandhi's Finance Minister, believed two years ago that the tide had turned against Mr Gandhi in the villages of the Hindi belt. He also believed that Bofors had become a stone around Mr Gandhi's neck which would slowly bring him down. These judgements proved correct.

Defeated in this election, Mr Gandhi seems determined to remain leader of the Congress Party. His mother made a comeback after being routed in 1977, by exploiting the divisions within the opposition and by carrying her campaign to the people. If only because of the massive security that surrounds him – and is likely to continue to do so because of the bitterness in the Punjab against him and his mother – Mr Gandhi has a hard task in winning back the hearts and minds of village India.

Egypt presses PLO to adopt flexible stance

By Tony Walker in Cairo and Lamis Andoni in Tunis

EGYPT has markedly increased pressure on Palestinian leaders to agree to more flexible terms for the beginning of a dialogue with Israel amid signs that US-Egyptian efforts to restart the peace process have reached a critical phase.

Egypt has asked the PLO for a more positive reply to a US five-point plan for preliminary talks on Israeli-proposed elections in the West Bank and Gaza Strip. The PLO's insistence that it openly and emphatically nominate Palestinian representatives is regarded in Cairo as the "kiss of death" for the plan advanced by Mr James Baker, the US Secretary of State.

The US is also exerting pressure on the PLO through Arab governments. Washington has asked moderate Arabs to encourage the PLO to support the Egyptian position, and not to take steps that might block the start of a process.

Egyptian officials are trying to persuade the PLO to adopt a less visible role on the grounds that all efforts should be made to deny Mr Yitzhak Shamir, Israel's Premier, any pretext for torpedoing the Baker initiative. Palestinian leaders, who are deeply suspicious of this argument, say they are worried about a precedent that might be set if they agree to a near invisible role in preparations for an opening dialogue between Israelis and "non-PLO Palestinians."

Sikh militants take electoral grip on Punjab

By K.K. Sharma in New Delhi

A JAILED Sikh militant and the widow and father of one of Mrs Indira Gandhi's assassins are among those declared elected yesterday to the Indian parliament from the north-western state of Punjab, which has been in the grip of a violent movement for a separate Sikh nation for several years.

The election of six nominees of the militants – and three others supported by them – out of Punjab's 13 members of the Lok Sabha (lower house) is certain to have far-reaching implications for the troubled state because it has given birth to a political party organised by the radicals.

Its leader is Mr Simranjit Singh Mann, a former police officer, who has been in jail for the last four years. In addition to charges of sedition, Mr Mann is now being tried as a co-conspirator in the Indira Gandhi assassination case in which two Sikhs have already been hanged.

Mr Mann has been declared elected from Tarn Taran near Amritsar, a region where Sikh militancy and violence have taken an extreme form. From jail, he heads what is known as the Mann faction of the Akali Dal, the main political party of the Sikhs.

Mr Mann's election to the Lok Sabha with eight of his party members and supporters is interpreted in the Sikh community both as a rejection of the Punjab's political establishment and as an expression of anger against what Sikhs consider repressive police rule.

The most important implication of the election of the militants is that they are now certain to contest and win the coming elections for a state assembly in Punjab where President's Rule (or direct administration from the central government in New Delhi) comes to an end in April 1990.

State elections must be held before then and many Sikhs expect a government formed by Mr V.P. Singh to accelerate the process as part of its attempt to find an early solution to the Punjab question. Mr Rajiv Gandhi's handling of Punjab by using police methods has been widely criticised. Mr Mann's party is expected to contest all the Assembly seats. Judging by the massive victory he and his supporters have won – Mr Mann's majority is more than 494,000 – it should sweep to power in Punjab.

Sikhs expect Mr V.P. Singh's Government to withdraw the charges against Mr Mann and release him. It is thus on the cards that Mr Mann will be Punjab's Chief Minister after elections in the state, the first time the post would then be held by a militant.

Many Sikhs feel that the election of the militants does not necessarily mean a vote for Khalistan, the independent Sikh nation sought by them, even though the Akalis elected belong to the faction that wants independence. One prominent Sikh said it was "anger vote, a spite vote" against the handling of the Punjab issue.

It does mean, however, that the V.P. Singh Government will have to tackle very quickly the demand for greater state autonomy that is being sought not only by Sikhs but elsewhere.

This is bound to be a difficult issue to settle since the militants are certain to demand more powers for the states than parties such as the Bharatiya Janata Party (which stands for a strong central government) will accept.

An important feature of the elections in Punjab is that, unlike many other parts of the country, polling took place totally without violence, a remarkable occurrence for a state said to be torn by terrorism. One Sikh source said that the militants provided armed guards for candidates.

Participation in the elections has been welcomed by leaders of Mr Singh's Janata Dal.

Mr Inder Gujral, a senior Janata Dal member elected from Punjab, said: "This shows that the Sikh militants are becoming part of the mainstream."

Bimal Khalsa, widow of one of Indira Gandhi's assassins, who has become an MP

Family dynasties take China on a long march to feudalism

Casual about spilling blood, Chinese leaders still regard it as thicker than water, writes Colina MacDougall

A new and unattractive dynasty is on the make in China.

At the party's central committee meeting earlier this month the Yang family strengthened its grip over the leadership as Yang Shangkun, the 82-year-old state president, and his younger brother Yang Baibing, 69, won promotion in the party's most powerful body, the Central Military Commission, which has ultimate authority over the army.

These promotions confirm that China is still deeply rooted in the feudal age. A whole new aristocracy is springing up, based on family links to the first generation of communist leaders.

Yang Shangkun, the patriarch of the rising dynasty, is a long-standing friend and colleague of Deng Xiaoping (one source says he is a second cousin), and, it is alleged, once worked closely with Peking's powerful security chief, the late Kang Sheng.

The Yang family, says a Hong Kong banker, are the real Chinese partners in the Palace Hotel, a new super-luxury complex off Peking's Wangfujing street which was said to be built by the People's Liberation Army in a joint venture with Japanese and Hong Kong companies.

"They treat China like their private estate," said one student bitterly in Tiananmen Square last May. Even Zhao Ziyang, the dismissed party leader who became the students' hero by default – there was no other potential Chinese Gorbachev – put his children into cushy posts in south China.

Yang Shangkun, right, patriarch, and, from left, Ye Xuanping, Liao Hangsheng, Li Tieying and the late Ye Jianying

The old guard still see themselves as the country's conquerors. As the Peking massacre in June showed, they are prepared to go to any lengths to keep their grip on power and privilege. The secretive and shortage-ridden system offers fertile soil for the traditional ideas of family obligation and rewards to flourish.

This fetid atmosphere is made worse by Deng Xiaoping's now-failing health. A growing power vacuum means that men of ambition such as the Yangs are waiting to pounce. In the recent party reshuffle, Yang the elder did not get the job he wanted, the chairmanship of the commission, just vacated by Deng Xiaoping. But he did move to the important slot previously occupied by Zhao Ziyang – the senior vice-chairmanship.

Yang Baibing, his brother, vaulted from his earlier role as head of the army's political department to the post of secretary-general of the commission. He also moved straight into the secretariat of the party's central committee, without the normal preliminary service as rank-and-file member.

The Yangs collectively have more blood on their hands from the massacre in June than even Deng. Well-informed Chinese said at the time that the decisions on how and when to use the army came from Yang Baibing's office.

Those decisions were backed by Chi Haotian, the Chief of Staff, said to be Yang Shangkun's son-in-law (though Chi has denied this), and reports say that the 27th Army, which did most of the killing, was commanded by Yang Baibing's son, Yang Jianhua.

A sister to the elder Yangs, Yang Bailin, is married to a lifelong soldier, 78-year-old Liao Hansheng, who joined the communist guerrillas in the 1920s and became a general in 1955. He is now a vice-chairman of the National People's Congress.

Although Yang the elder at 82 is only three years younger than Deng, his demeanour is much more youthful. Since his wife died (she was a writer whose works, it is not surprising to observe, have moved into the limelight as Yang's power has swollen) his constant companion has been the Dragon Lady of the Peking municipal government, vice-mayor Wu Yi, in her fifties. This gives the Yangs a useful link with Peking's municipal leaders who also played a vital role in crushing the protest.

Though Deng foiled the elder Yang's desire to get the Military Commission chairmanship, the Yangs are likely to come out on top in the long run. Deng's successful candidate, Jiang Zemin, the new party leader, has neither the contacts nor the experience to keep them at bay.

Deng's own family are not the stuff of which national leaders are made. One daughter, Deng Rong, now accompanies her father to meetings and shouts in his ear when his deafness hampers conversation. Another, Deng Lin, works in Shenzhen, as does her brother, Deng Zifang. (Shenzhen, the Special Economic Zone adjoining Hong Kong, is probably China's most swinging town.) Only one, the partially-paralysed son, Deng Pufang, has ventured into public life and has grown tainted through his links with the now-dissolved Kanghua company by corruption too unfettered even for China.

But Deng has a curious family connection with another leader who is clearly on the way up. Li Tieying, in his early 50s, is a politburo member and in charge of the State Education Commission. He is also the son of Deng's first wife, Ah Jin, who eloped in the 1920s and died in exile in the Soviet Union.

If Li feels uncomfortable at leadership meetings because of his parentage, it has done nothing but benefit his career. On the politburo since 1987, he supported the Deng line against the students last spring, and on Peking television sion seemed quite tough and uncompromising enough to appeal to the old guard.

There are dozens more family mafias. Everyone knows that Li Peng, the premier, was the adopted son of China's most respected leader, Zhou Enlai. His own children hold important posts. The Ye clan, which now boasts a governor (Ye Xuanping, of Guangdong province) and a State Councillor (Zou Jiahua, Minister of Machine-Building, related by marriage) plus several lower-ranking officials, sprang from the now-dead but once-influential Marshal Ye Jianying.

Wang Zhen's son is deputy head of the political department in the Chengdu Military Region (a useful contact when troops need to be mobilised fast and illegally, as in May). Another is deputy head of the wealthy China International Trust and Investment Corporation in Shenzhen. Wang Zhen, 82, is China's vice-president and a longstanding Deng backer.

China's leaders may be casual about spilling blood on the streets of Peking, but they still see it as much thicker than water. This ancient Chinese tradition has been reinforced rather than expunged by socialism. To be a leader's relative is the best passport to reaching the top yourself.

De Klerk curbs role of security officials

By Jim Jones in Johannesburg

MR F.W. DE KLERK, the South African president, is to strengthen his cabinet's authority by curbing the power of security officials appointed by his predecessor, Mr P.W. Botha.

In a move that marks the further development of a more flexible and open style of government, Mr de Klerk announced yesterday that he intended to abolish the National Security Management System (NSMS).

This shadowy organisation of selected cabinet ministers and state and security officials, introduced in 1986, gained considerable influence under Mr Botha, co-ordinating the government's political and military strategy.

Mr De Klerk called for a report from Law and Order Minister Adriaan Vlok last week following allegations by white former police captain Dirk Coetzee that hit squads systematically murdered government opponents.

The allegations have sparked an outcry in South Africa. Newspapers, opposition politicians and human rights lawyers have demanded that a panel of jurists with subpoena powers be established to investigate the affair.

Fundamental to the NSMS were Joint Management Centres, which took over the management of black townships when political protest brought a halt to council and local government functions.

At the pinnacle of the system has been the State Security Council, which comprised Mr Botha, his close cabinet associates, and senior security officials.

This erstwhile inner cabinet is being downgraded to the rank of a parliamentary committee. Government officials said this reflected Mr de Klerk's wish to negotiate new political structures, rather than impose the Government's will.

Announcing the changes at a police parade in Pretoria yesterday Mr De Klerk said: "The advantages of the new approach are that the cabinet will be confirmed as the highest policymaking and co-ordinating authority."

Mr De Klerk has already increased the cabinet's influence by arranging weekly meetings rather than fortnightly, as was the norm in the final years of of Mr Botha's increasingly autocratic rule.

● Reuter reports, the Mass Democratic Movement, a coalition of anti-apartheid groups, urged Mr De Klerk on Monday to invite members of the International Commission of Jurists to serve on an independent panel to investigate the death squad allegations. "The majority of the people in our country do not see the South African judiciary as being independent of the apartheid state," the movement said in a statement.

Code of conduct set by Japanese

By Ian Rodger in Tokyo

JAPANESE industrialists concerned about creating social problems when setting up operations in foreign countries now have a series of guidelines to fall back on.

Published this week by the Association of Corporate Executives (Doyukai), the guidelines are aimed at reducing the increasing incidents of friction between local communities and the overseas operations of Japanese companies.

Many Japanese factory managers overseas have been criticised for associating only with other Japanese and not cultivating relations with local people.

The guidelines, produced after Doyukai officials interviewed executives of 15 leading Japanese manufacturers about their experiences overseas, come in the form of checklists of questions for managers at different levels.

Board directors are asked whether they are taking steps to heighten awareness of the international scope of the business in head office. Are they, for example, hiring any foreigners in their head offices?

For top managers of US plants, it asks whether US citizens have the opportunity to reach top management levels and whether affirmative action programmes for minorities are being considered.

S Korea keen to forge links with eastern Europe

By Robin Pauley, Asia Editor

SOUTH KOREA now has an "ardent desire" to establish full diplomatic relations with the Soviet Union and other Eastern European countries, President Roh Tae Woo said at a luncheon in London's Guildhall yesterday.

South Korea already has diplomatic relations with Poland and Hungary. Trade offices have been opened in the Soviet Union, Yugoslavia, Bulgaria, Hungary and Poland. The next to open will be in Czechoslovakia next year.

The Koreans hope that recent developments in Eastern Europe will give a spur to efforts to reduce tensions between the two Koreas and perhaps eventually lead to reunification.

"The world is now facing an unprecedented wave of reform. It is no longer war that dictates the power to rearrange the world order; it is freedom and prosperity. New horizons are now apparent in the communist states of Eastern Europe. Systems which had occasioned not only economic decline but so much human suffering have become ossified and moribund. Country after country behind the not-so-iron curtain is realising that prosperity can only come with multi-party democratic elections and a dismantling of the communist single-party system of government," President Roh said.

South Korea, the world's seventeenth largest economy and 10th largest trading nation, is itself newly democratic, President Roh having come to power in the first fully open elections in 1987.

"The pace at which we have moved towards a balanced democracy has naturally created strains within our society. There have been those who would place more emphasis on the exercise of freedom of action rather than social responsibility," he said.

Roh Tae Woo: 'forging links'

President Roh's first official visit to Britain is not without controversy and members of the Rim Su Gyong Defence Campaign demonstrated outside 10 Downing Street yesterday when Mr Roh had talks with Mrs Margaret Thatcher, the Prime Minister. Miss Rim is on trial in South Korea under the National Security Law for visiting the North Korean capital of Pyongyang in July and returning to the south in August across the demarcation line. A priest was recently sentenced to 10 years in jail for the same offence.

In addition animal welfare organisations are taking advertisements in British newspapers during President Roh's visit which ends tomorrow. to protest against the conditions allegedly suffered by dogs and cats bred for human consumption in South Korea.

AMERICAN NEWS

Bush rules out summit deal on troop cuts

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush yesterday sought to reassure US allies by lowering expectations about what might be agreed on troop levels in Europe at his meeting next weekend off Malta with President Mikhail Gorbachev of the Soviet Union.

During a brief session with reporters in the Oval Office, Mr Bush acknowledged he would talk with Mr Gorbachev about troop levels, but added: "I am not going to go off and prematurely jump out there and try to grandstand by committing them [the Nato allies] to something. That's not the way to keep an alliance strong. It takes two to make a deal. I'll not tie the alliance up by unilateral commitments."

Mr Bush said he wanted to "shoot down this frantic speculation" that he and Mr Gorbachev were set to negotiate a reduction in troop levels in Europe. He apparently called in reporters because of "euphoric expectations of some deal. There isn't going to be such a deal."

He promised no surprises and no arms control deals, which, he said, he had made clear in writing to Mr Gorbachev. Mr Bush claimed that the allies supported his approach to events in Eastern Europe.

The speculation has arisen in part following comments on Monday by Mr Marlin Fitzwater, Mr Bush's press spokesman, that the two presidents would talk at Malta about arms control and military-force structure. Moreover, Mr Dick Cheney, the Defence Secretary, has talked about possible further cuts in US, as well as Soviet, troops in Europe, as well as sizeable cuts in overall US defence expenditure.

There has been a shift in the US position in the last week towards considering deeper troop cuts in Europe than are being discussed in the Vienna conventional force talks. One option is that President Bush may suggest to Nato allies in Brussels next Monday that the upper limit of US and Soviet troops could be substantially lower than the 275,000 on each side currently proposed in the Vienna talks.

Top Republican warns president of policy drift

By Lionel Barber in Washington

A TOP Republican has warned President George Bush that his presidency lacks direction and risks resembling the second Eisenhower administration, a period of drift which led to Democratic dominance in the 1960s.

Mr Newt Gingrich, the House minority whip and self-styled intellectual leader of conservative Republicans, said Mr Bush must choose between being a "status quo" President or whether to push a more ideological programme in the 1990s to break the Democratic majority in Congress.

Conservative Republicans have long harboured suspicions about Mr Bush, who is by nature a consensus politician, but Mr Bush's high approval ratings and the country's sound economic growth have largely minimised criticism.

Public doubts among Republicans re-surfaced after this month's defeats in gubernatorial races in New Jersey and Virginia, when Mr Bush's popularity failed to help Republican candidates.

The problem is that Mr Gingrich's tough-minded talk does not square with Mr Bush's "kinder, gentler nation" rhetoric and his inclination to split the difference with the Democratic majority in Congress.

Mr Gingrich says he believes Mr Bush is at a "crossroads" where he must decide which path to take. "If in fact... it is the second Eisenhower administration, we are in deep doo-doo, to use a phrase common at the White House."

US objects to London envoy going to Cambodia

By Lionel Barber in Washington

THE US has objected to a British government plan to send a diplomat from Bangkok to Pnomh Penh to coordinate humanitarian aid to refugees in the Cambodian civil war.

The US argues that such a step would amount to recognition of the Vietnam-backed Hun Sen regime, and would undercut Washington's efforts to reach a power-sharing arrangement involving the three-party Cambodian resistance movement which is led by Prince Sihanouk and has the Khmer Rouge as its dominant faction.

British officials in Washington acknowledged that the US made representations more than a week ago. While no formal decision has been made in London, it was likely that the envoy's visit to Pnomh Penh would go ahead. The plan was that the diplomat, a first secretary based in Bangkok, would be accompanied by a civil servant from the Overseas Development Administration in London. One compromise to accommodate the US view might be to send the official from London without the diplomat.

Mr Douglas Hurd, British Foreign Secretary, said in a policy address to the House of Commons earlier this month that the UK would step up its humanitarian programme to Cambodia by an additional $597,500. The aid would be channelled through various United Nations and non-governmental agencies to the many thousands of Cambodians living in camps, along the Thai-Cambodian border.

The British government has told the US State Department - which originally raised objections - that the humanitarian assistance is vital. It rejects the notion that the dispatch of a diplomat - the first official British visit to Pnomh Penh in 14 years - amounts to recognition of the Hun Sen regime.

"It is purely a matter of disbursing aid," said the British official, adding that London shares Washington's view that the regime is unelected and therefore illegitimate.

The dispute is yet another irritant in the bilateral relationship. There are also differences of tone on East-West relations.

UK policy on HK refugees condemned

By Peter Riddell

THE BUSH administration has taken the unusual step of publicly dissociating itself from the British policy of ordering the forcible repatriation of Vietnamese from camps in Hong Kong back to Vietnam.

The State Department has described the UK action as "unacceptable" to the US. This has been the most difficult bilateral issue between the two governments over the past 12 months.

"The US position is that involuntary repatriation is unacceptable until conditions improve in Vietnam. We believe the United Nations High Commissioner for Refugees should be provided with every opportunity to make voluntary repatriation programmes function effectively," a senior State Department official said.

Instead, the US supports voluntary repatriation for Vietnamese boat people, under a comprehensive plan of action agreed at an international conference in Geneva earlier this year. The US has also held discussions with Hong Kong to see if Canada and Australia might take some of them.

Mrs Margaret Thatcher discussed the issue when she met President George Bush at Camp David last Friday, and the two leaders apparently disagreed. Mrs Thatcher afterwards stressed the distinction between genuine political refugees from persecution who would be granted asylum, and what amounted to illegal immigrants, who would be forcibly repatriated.

Privately, British officials are highly critical of the US for being hypocritical on the grounds that Britain, in repatriating the Vietnamese boat people, is doing exactly the same as the US when it sent Haitians landing in Florida back home.

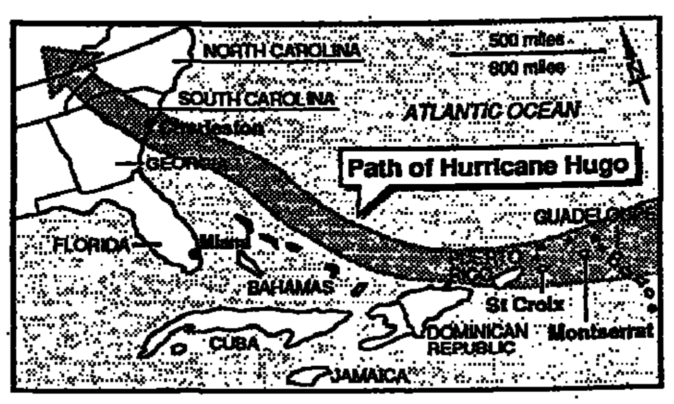
The US reaction is that conditions in Haiti are better than those facing repatriated Vietnamese under communist rule.

The issue has provoked strong feeling in the US, with Mrs Thatcher facing unusually strong personal criticism for being willing to send people back to live under communism.

The official State Department line is that, while the large number of Vietnamese boat people has created serious problems in Hong Kong, the right response is international concerted action of the type agreed in Hong Kong.

Quake leaves rates up in the air

Patrick Cockburn reports on prospects for a US insurance upturn



SINCE the San Francisco earthquake last month the world insurance industry has waited to see if the unprecedented string of disasters in 1989 would end the three-year-old depression in US insurance rates.

So far the signs are contradictory as insurance and reinsurance policies come up for annual renewal, but in recent weeks a picture is beginning to emerge of the extent of the damage caused by the catastrophes, its cost to insurance companies and the way this is affecting the price likely to be paid for insurance in future.

By far the biggest disaster was hurricane Hugo on September 17-22, believed to be the most expensive single disaster in the history of insurance. Loss adjusters picking through shattered buildings on the islands of Montserrat and St Croix say the hurricane's 200mph winds caused $5bn in damage in the Caribbean alone.

By the time Hugo hit the US coast its wind speed had dropped a little but was still strong enough to cause some $4bn in damage in North and South Carolina, much of it in and around Charleston.

The San Francisco earthquake was less expensive than at first feared. Modern buildings suffered little structural damage, though surveys are still going on. Business interruption in Silicon valley and elsewhere, which could have produced big claims, was limited and the American Insurance Services Group in New Jersey, which collates insurance claims, says they may be as little as $960m.

By contrast the explosion at the Philip's Petroleum petrochemical plant in Pasadena, Texas on October 23 may cost insurers the full $300m for the plant and as much as $1bn in business interruption. This is likely to make it the largest ever insured disaster at a single plant.

It was not suprising when insurance shares on Wall Street soared on the news of the San Francisco earthquake on October 17. It looked big enough to end the downswing in the insurance cycle but not so devastating as to put companies out of business.

Given the status of the 1906 San Francisco earthquake in American folklore generally, and in that of its insurance industry in particular, the latest 'quake was an event tailor-made to be the psychological turning point for primary insurance premiums which have dropped sharply since 1986.

There were some signs of this happening. In early November three big US insurers, all of whom had taken serious losses from Hugo, announced, to loud publicity, an all-round increase in their commercial rates. At the same time Mr Maurice "Hank" Greenberg, chairman of American International Group, said the 1989 disasters had "simply hastened the timetable for and, to some extent, the amount of required increases in virtually all commercial insurance classes".

By last week, however, the euphoria of the beginning of the month had damped down. Mr David Rowland, chairman of Sedgwick Group, the biggest international insurance broker in Europe, went out of his way to downplay "the possible effect on rates of the substantial losses incurred recently". He did not, he explained, want the stock market to have an exaggerated idea of what to expect.

Mr Tony Wyand, group general manager (finance and investments) at the UK composite Commercial Union, whose third-quarter profits were hit by Hugo and other windstorm damage, said he expected the final shape of the present depression to be saucer shaped – unlike the sharp V-shaped depression of 1981-84.

Temperate expectations in London are important because US insurers normally reinsure risks above $40m-50m. The biggest losses should therefore hit Lloyd's of London and other reinsurers. If the insurance cycle is going to turn it should start with reinsurers already hit by the hurricane in the UK in October 1987 and the Piper Alpha oil platform explosion *but so far there is little sign of* this happening.

Moreover Mr Chris Pountain, insurance analyst at Morgan Stanley, argued that US companies would find it difficult to raise premium rates aggressively because even $10bn in losses from Hugo and the San Francisco earthquake are modest when compared with the $125bn capital of the US insurance industry.

Nor would a sharp increase in premiums, as in 1984-86, necessarily be in the interests of insurers. In the mid-eighties large companies facing a sharp rise in premiums took refuge in various self-insurance vehicles such as captives or industry mutuals.

Nevertheless, whatever the strength of arguments that the US primary market as a whole is too competitive to sustain an all-round increase in premiums, somebody is still going to lose a great deal of money. At first this will be the retrocessional insurers – who insure the reinsurers – now facing a series of massive losses. To meet the claims they must raise rates.

Brokers saw this in turn, by 1991, leading to a rise in reinsurance rates but were doubtful if this would be reflected in the cost of basic insurance in the US in the immediate future. Despite the euphoria at the end of October, capacity looks too great to allow any big increase in premiums – unless 1989 has one more disaster in store.

Biggest ever drugs haul in Mexico

By Richard Johns in Mexico City

THE Mexican Government has triumphantly announced the seizure of 5.5 tonnes of cocaine in the south-western state of Oaxaca, *the largest haul ever* in Mexico.

The seizure, with a US street value of $8.4bn (£5.4bn), brings the total claimed since the present administration took power nearly a year ago to 30 tonnes, compared with 35 tonnes in the previous decade. Another capture in Saltillo, in the north-east, yielded 900kg.

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The haul, found in a ravine near San Miguel Yuatepec, Oaxaca, was flown into Mexico by an aircraft believed to belong to Gonzalo Martinez Garcia, one of the key figures in the Colombian Medellin cartel. Two federal agents and six drug traffickers were killed.

Mr Enrique Alvarez del Castillo, the Attorney-General, warned that the Mexican security forces now had the capacity to detect flights violating the country's air space heading for clandestine landing strips near the 1,933-mile border with the US, and within three hours determine their destination. He said that three had so far been brought down by gunfire.

Mr Javier Coello Trejo, the assistant Attorney-General responsible for the battle against drug-trafficking, said last week that an average of 18 to 19 aircraft carrying Colombian cocaine landed monthly, of which 30 to 40 per cent were intercepted.

Mr Coello put the proportion of cocaine now entering the US through Mexico at 20 per cent although the US says it is more like 40 per cent.

BA will fight US demands for extra flights

By Paul Betts, Aerospace Correspondent

BRITISH Airways (BA) will press the UK Government to resist US demands to allow US airlines to mount extra flights to Manchester and other UK destinations while UK carriers are not granted reciprocal access in the domestic US market, Lord King, BA's chairman, said yesterday.

On the eve of a new round of US-UK talks on possible revision of the current bilateral air service agreement between Britain and the US, Lord King called in Washington for easing of US nationality rules on airline ownership.

UK and US officials hope to make progress on the controversial revision of the existing air service accord during a three-day meeting starting in London today. Talks between the two countries collapsed last January. But officials at the UK Department of Transport said yesterday the climate had now improved, although it was still unlikely this round of talks would lead to a new agreement.

UK negotiators have been increasingly pressed by regional airports such as Manchester which are anxious to expand their international services. Manchester Airport has threatened to take action in the European court against the UK Government if it cannot expand its transatlantic and other international services.

The US has now proposed developing new scheduled airline services to UK regional airports. This would open the way for new competitive transatlantic services by British airlines such as British Midland and Air Europe, which have both indicated longer-term plans to fly to the US. Meanwhile, US carriers such as American Airlines have campaigned to increase services to Manchester.

No signs exist at this stage that the US is prepared to allow UK or other European carriers rights to serve US domestic destinations beyond their international gateway airports. No revision of the bilateral pact is likely until the US agrees to open its domestic market to UK airlines.

Lord King said yesterday that 40 per cent of traffic on US-UK routes consisted of passengers whose journeys started or ended at points beyond international gateway airports in America. He added that UK airlines could not compete at present for that traffic.

"We shall press on our negotiators the need to ensure adequacy of access, not nominal reciprocity," he argued. "Simply offering an additional service between two gateways to an airline of each nationality does not provide equality of opportunity.. If Europe is to be open to US airlines, the US must be open to European airlines."

FIAT IN EASTERN EUROPE

Car maker's drive into east bloc markets

FIAT has carved out a bigger presence in the East European motor industry than any other western vehicle maker, writes Kevin Done, Motor Industry Correspondent. It has shown itself ready to make deals with Moscow at a time when its western rivals such as Ford, Daimler-Benz and Volkswagen have remained overawed at the scale of the risks involved allowing their parallel talks to run into the sand.

Fiat has already played a big role in bringing the most important existing Soviet car plant into production, the Volga Automobile Factory (VAZ) in Togliatti.

VAZ produces the range of cars marketed in West Europe under the Lada name. The Togliatti plant is one of the biggest car assembly plants under one roof in the world. The plant produces around 720,000 cars a year, the Samara, a modern small family hatchback, and the Riva, the saloon car developed from the Fiat 124 under a licensing agreement with the Italian car maker.

Fiat was chosen as the partner for the VAZ project in 1966 and the first car rolled off the assembly line in Togliatti in 1970. The plant accounts alone for more than half of the Soviet Union's present annual car output of around 1.3m.

Since the beginning of the 1970s, Comau, Fiat's production systems subsidiary, has installed equipment in various Soviet car plants including VAZ in Togliatti, AZLK, the Moscow plant that produces the old Moskvich and the more modern Aleko cars, and the ZAZ plant in Zaporozhie in the southern Ukraine, which has recently begun manufacturing the Tavria, a 1-litre small car.

Fiat's other big ventures in East Europe are in Poland, for small cars, and in Yugoslavia, for commercial vehicles.

Polski Fiat was set up in Warsaw to assemble and market cars as long ago as 1921. In 1965 Fiat signed an agreement to produce the Fiat 125 at the Warsaw FSO plant, with a capacity of 70,000 cars a year.

Five years later Fiat reached a deal for the production of the 126 at the FSM plant in Bielsko Biala in Silesia at the rate of around 150,000 units a year. In May 1987 this plant produced the two millionth Fiat 126.

Poland has become the only production site in Europe of Fiat's so-called "sub-mini"; the 126, which slots in beneath the Fiat Panda in western markets as one of the cheapest cars offered by any manufacturer.

In September 1987 Fiat and FSM reached agreement on a collaboration for a replacement for the 126 to be called the Micro, to be launched in 1991 in East and West Europe.

Cesare Romiti, Fiat Group managing director: company has been ready to make deals with Moscow

Business remains cautious over investment inflows

Establishing joint ventures is fraught with pitfalls and rewards are uncertain, Peter Montagnon reports

DESPITE Fiat's decision to sign a L1,800bn (£873m) joint venture agreement with the Soviet Union yesterday, Western businessmen remain cautious about predicting a large-scale pick-up in investment inflows over the short term because of economic and political reform.

Theoretically, the opening up of the Soviet Union and other East bloc countries to Western investment has created a golden opportunity because of low wage rates and relatively high skills, which some believe could allow them to compete eventually with the newly industrialising countries of the Far East.

In practice, businessmen say that establishing joint ventures is still fraught with pitfalls and the rewards highly uncertain. According to Mr Dimitri Protsenko, a former Soviet Finance Ministry official who is now an adviser on joint ventures, only 40 joint ventures are fully operational out of more than 1,000 registered over the past three years.

Only three out of the first 250 registered involved investment of more than $20m.

One of the most basic problems is that Western companies seeking to establish such ventures frequently do so with the primary aim of selling their goods on the Soviet market, while the main Soviet interest is to generate hard currency through increased exports. This conflict of objectives can lead to problems because it means all joint ventures have to be at least self-supporting in hard currency terms.

Western businessmen say their interest in joint ventures would grow considerably if the rouble were convertible. This would allow them to take profit and dividends on joint ventures out in hard currency and facilitate their ability to buy in raw materials and trade out the products they produce in the Soviet Union.

Though the lack of currency convertibility is the most widely cited difficulty, they also say there are a number of other practical problems. These include:

● Negotiating with the bureaucracy in a climate of rapid change. Several authorisations may be needed to establish a joint venture and it is not always clear who has to provide them.

● Concern over the allocation of raw materials. Even in a climate where the role of central planners is diminishing, it can be hard to secure access to essential raw materials.

Worries persist that state enterprises will be given preferential treatment over foreign companies. Theoretically, raw materials could always be imported, but the venture would have to generate enough foreign exchange to pay for them.

● Worries about the infrastructure. The Soviet Union lacks the infrastructure needed to back up a modern, efficient industry. Some Finnish companies complain, for example, that the establishment of a joint venture can also involve the building of housing, roads and even schools. Others say the inefficiency of the Soviet transport system means it is hard to ship products out of the country even if they are of export quality.

However, most Western businessmen expect a gradual increase in joint venture activity. One reason is that the Soviet market is of a size that cannot be ignored by any major multinational company. Any that seek to do business there automatically come under pressure to do so by means of a joint venture which the Soviet authorities see as a means of attracting both capital and know-how.

According to a recent study by Mr Leonard Geron of the Royal Institute for International Affairs, Italy was already well ahead in this game, even before yesterday's announcement by Fiat. Out of 191 joint ventures founded in 1987 and 1988, which are identified in the study, Italy accounted for only 13 as opposed to 26 from Western Germany. But the total capital invested in its ventures of Roubles 135.4m (£135m) was the largest of any Western country, exceeding even the Rbls 119.2m invested in West German joint ventures.

Recent political developments in East Europe have awakened new interest in joint ventures, especially in Poland and Hungary, where political reform has been fastest. This process could speed up, businessmen say, as the East bloc wins trade concessions by political reforms. This would give Western investors greater security because they would know that goods manufactured cheaply by their plants in the East could be exported for hard currency to the West without the risk of trade barriers slamming against them.

US agrees changes to Superfund tax

THE US Senate has removed a long-standing bone of contention between the US and other members of the General Agreement on Tariffs and Trade (Gatt) by accepting amendments to the Superfund tax on petroleum and petroleum products, writes Our Foreign Staff.

In the final flurry of work before Congress adjourned, the Senate approved provisions fixing the tax at 9.7 cents a barrel, thereby removing the discrimination against imported oil products, condemned by a Gatt disputes panel in June, 1987. The amendment had already been passed by the House of Representatives.

Since 1986, Washington has been financing a $9bn environmental protection programme by levying 11.7 cents a barrel on imported oil and 8.2 cents on domestic products.

US failure to comply with the Gatt ruling formed one of three issues which has led the European Community, Canada and many other Gatt members to accuse Washington of applying double standards in its trade policy.

Mr Rufus Yerxa, Deputy US Trade Representative, said the Senate's last-minute decision "demonstrates that the US takes its international obligations seriously and that we respect Gatt."

Earlier this month, the US accepted after long prevarication a Gatt finding that its procedure for handling patent infringement cases under Section 337 of its Trade Act discriminated against imported goods. On the third issue – a 0.17 per cent customs user fee levied on imports – the US has still not complied with the Gatt recommendation that it be changed.

Sony TVs in Singapore

SONY, the Japanese consumer electronics and records group, is to build a $350m plant in Singapore to manufacture picture tubes for its TV assembly factories in Malaysia and Thailand, Ian Rodger reports from Tokyo.

The factory is due to come on stream in the second quarter of 1992 and its output in the first year to reach 1m cathode ray tubes (CRTs).

Sony said the plant would displace exports of CRTs from Japan and was part of its strategy of establishing comprehensive colour TV manufacturing in main regional world markets.

● Peking's biggest industrial joint venture, a Yuan 500m ($90m) plant making TV tubes, half-owned by Matsushita Electronics of Japan, has been formally opened. Peking Matsushita Colour TV Tube Co. will have a final capacity of 1.81m tubes a year when both production lines come on stream in 1992, it said.

The first started on July 1, two months ahead of schedule, and will produce 140,000 tubes earning Yuan 91m by the end of the year.

Mexico, EC in ventures pact

By Richard Johns in Mexico City

TWO leading Mexican financial institutions, Banamex and Nafinsa, have concluded an agreement, under the aegis of the Government, with the European Community, aimed at promoting small and medium-sized joint ventures.

Under an accord signed in Mexico City during a visit by Mr Abel Matutes, Commissioner for Relations with Latin America, EC financing will be available for new projects and expansion or modernisation of existing ones.

Funds will come from the Ecu 30m (£23m) aid appropriation set aside for these purposes for Latin America over the next three years.

The money will be disbursed on a "first come, first served" basis, Mr Erwan Fouéré, EC Ambassador to Mexico, said.

They will be channelled through Banamex, one of the country's two leading commercial banks, and Nafinsa, the state-owned development bank. A delegation from Banamex, which is active in arranging joint ventures, is in Brussels this week for talks with EC officials.

For new projects, interest-free loans of up to Ecu 500,000 will be available for feasibility and market studies, construction of pilot plants and manufacture of prototypes.

Financing – also up to Ecu 500,000 – will be available for modernisation and expansion of existing enterprises, through either an EC subscription to the capital of the company in question, or a loan.

UK NEWS

Tories under fire over sale of Rover to BAe

By Kevin Done and Ralph Atkins

THE Government came under heavy fire from the National Audit Office yesterday for selling Rover Group to British Aerospace (BAe) at a price which "fell significantly short of the real value of the company."

The National Audit Office (NAO) found that, in the Government's haste to offload the previously chronically loss-making car maker, many millions of pounds were denied to the taxpayers.

Those same taxpayers had poured a total of £3.55bn into keeping Rover (previously British Leyland and BL) afloat between 1975, when it was taken into public ownership, and 1988, when it was bought by BAe.

The report provoked angry exchanges in the House of Commons as Mr Neil Kinnock, the Labour Party leader, accused Mrs Margaret Thatcher, Prime Minister, of "short-changing" Britain and demanded a "public apology for this gross incompetence."

Mrs Thatcher was forced onto the defensive, claiming that the Government had "struck the best deal it believed it could." She said that Rover had not made a profit since 1976, apart from the year in which it sold Jaguar. The privatisation had been "a major achievement."

The inquiry by the NAO, the parliamentary watchdog which monitors the performance of government departments, into last year's £150m disposal of the leading UK car maker, follows its earlier critical report on the Government's sale of Royal Ordnance, the state-owned armaments supplier, to BAe.

Mr Gordon Brown, opposition spokesman on trade and industry, described the report as "a damning indictment of ministerial mismanagement over Rover – the latest in a catalogue of exposures of government waste of taxpayers' money through inefficiency and dogma."

MPs will have a first opportunity on Monday to question Sir Peter Gregson, permanent secretary at the Department of Trade and Industry (DTI), over the Rover Group sell-off at a meeting of the powerful Public Accounts select committee.

Sir Peter is expected to be pressed by Mr Robert Sheldon, the committee's Labour chairman, about whether taxpayers got value for money and on methods used to value Rover's assets.

According to the NAO's most conservative assessment, the total value of Rover Group at the date of sale last year was at least £206.5m, but it stresses that this is "very much a minimum figure".

The NAO highlights the admission by Lord Young, then Secretary of State for Trade and Industry, that no valuation had been carried out of Rover Group's sites and other assets.

The European Commission, however, in its investigation of the Rover sale, concluded that the company's true value appeared to be about £950m, inclusive of its land and buildings, assets, stakes elsewhere and tax benefits.

The report also discloses that the Government's decision to grant exclusive negotiating rights to British Aerospace went against the advice of Baring Brothers, financial adviser to the Department of Trade and Industry, which had argued in favour of a limited competitive tender for the sale of Rover Group.

The decision to block competitive bids meant that it was impossible to determine with any great accuracy "a fair price" for a substantially debt-free Rover Group.

As in its earlier report on the sale of Royal Ordnance, the National Audit Office criticises the Government for failing to seek provisions in the sale agreement, which would have allowed it to "claw back" from BAe any unforeseen financial benefits accruing from the sale of shareholdings, surplus sites or the use of tax benefits.

The sale of Rover Group to British Aerospace for £150m was completed in August last year following a cash injection of £547m by the Government.

Without drawing great attention to the fact, the NAO points out that the Government's generosity to BAe would have been much greater had not the European Commission intervened to reduce the scale of the Government cash injection for Rover from £800m to £547m.

The NAO questions the DTI's claim that no better terms could have been secured. It argues that the DTI's negotiating resulted in BAe paying £150m for a business which

- made a profit before interest and tax of £65m in 1988;
- had surplus assets and other benefits worth at least £250m, of which it had so far realised £126m.

Editorial comment, Page 18; Lex, Page 20

Opposition claims Thatcher still against EC charter

By Michael Cassell, Political Correspondent

MRS Margaret Thatcher, the Prime Minister, will hold talks in London on Friday with Mr Jacques Delors, the president of the EC Commission, a week before the European Council meeting at which Britain is expected to voice its continued opposition to the social charter and to plans for full monetary union.

With the social charter due to be debated in parliament today, the opposition Labour Party last night revealed what it claimed to be the contents of a letter from Prime Minister Thatcher to President François Mitterrand of France suggesting that she had firmly ruled out British consent to the charter.

There have been some indications recently that Mrs Thatcher has tempered her firm opposition both to the charter and to moves towards monetary union, suggesting that compromises might be possible in some areas. But Labour claims her letter, written to President Mitterrand a month ago, says any agreement on the charter which is based on the existing draft seems impossible.

Mrs Thatcher has apparently told Mr Mitterrand that the social charter proposals run counter to the British Government's policies pursued during the last 10 years. She claims the latest draft represents an improvement over earlier attempts and repeats the Government's readiness to consider a broad declaration of rights; she adds, however, that such a declaration should be considered to be only a statement of principles and not in a way which could lead to detailed legislation.

Mr Tony Blair, Labour's employment spokesman, said the letter proved Mrs Thatcher's isolated opposition to the charter was based not on fears over sovereignty, but solely on ideological grounds. Labour will today press home its charge that the Prime Minister is increasingly isolated, hoping further to expose the internal differences over Europe within the Government.

Mrs Thatcher

Downing Street was last night playing down the significance of Friday's talks with Mr Delors, the principal architect of the proposals for monetary union, pointing out that it was nearly three years since they held substantive, bilateral discussions.

The meeting was not being portrayed as an opportunity to seek out possible compromises on the issues to be discussed at Strasbourg next week, but an opportunity for an update on respective views. Even so, the issues are expected to dominate the conversation.

Government sources were stressing Britain's continuing rejection of a social charter proposal, which they said would pay no attention to national characteristics and would raise unemployment.

In her interview on BBC television on Monday, Mrs Thatcher gave little hint of any compromises next week when she repeated her refusal to contemplate EC measures which might hand over powers to "non-accountable" bodies. She rejected stages two and three of the Delors plan for monetary union, which she said had not been worked out and which demanded the "full yielding up of sovereignty."

Contractors offer light at the end of the tunnel

Kevin Brown reports on two private sector alternatives to British Rail's high-speed Channel rail link

OVE ARUP, the consulting engineers, yesterday announced a £10.3bn alternative to British Rail's plans for a high-speed line from London to the Channel tunnel on the south-east coast.

The proposal confirms that the battle over the line is not over, despite BR's unexpected success earlier this month in putting together a deal with the private sector.

BR believes that its agreement to set up a joint venture to build and operate the line with Eurorail – a consortium of Trafalgar House and BICC – will enable it to raise up to £4bn to finance the project, and to come forward with a private bill for parliament next year. The state rail corporation also has the support of Mr Cecil Parkinson, the Transport Secretary.

However, there is significant opposition to BR's plans, especially in south London, where the corporation has abandoned plans for a £1.5bn tunnel and now proposes to run international trains on or alongside existing tracks.

Two rival projects have now been proposed, each backed by powerful private-sector interests. Both camps hope to build sufficient public and parliamentary support to force Mr Parkinson to order a review of all the options.

The two alternative proposals are:

- The Talis route (Thames Alternative International System), which is costed at £3.5bn, and is being promoted by Manufacturers Hanover, the US bank, supported by Bechtel, the US construction group; John Mowlem and John Laing, the UK construction groups; Bank of America; Maunsells, the engineering consultants; GTM Entrepose; S.G. Warburg, the merchant bank; and MCA, the US group that owns Universal Studios and plans to build a theme park near the route in Essex.
- The Arup route, promoted by Ove Arup and backed by 10 financial institutions including Prudential Assurance, Guardian Royal Exchange Assurance and 3i (Investors in Industry, the venture capital group).

The Arup plan is supported by Mr Gerry Bowden, the Conservative MP for Dulwich in south London, and is likely to be backed by other MPs representing constituencies in south London and Kent, the county necessarily crossed by any rail link, that would be affected by BR's scheme.

Both proposals would involve the construction of a mainly four-track line – rather than BR's two tracks – built to the Continental European loading gauge rather than the smaller UK gauge, as proposed by BR.

That would allow wider and higher Continental trains to use the line, avoiding the need to build special rolling stock. Both would avoid the political and environmental difficulties of passing through south London by abandoning BR's main terminal at Waterloo, on the south bank of the Thames in central London, and approaching London from the east.

The Manufacturers Hanover scheme would terminate at Stratford, in north-east London, while the Arup scheme would use both Stratford and BR's second terminal at King's Cross, north of the capital's centre.

Both routes would carry freight trains as well as passengers, avoiding the need to run freight trains through south London.

The rival projects face a number of difficulties. Both promoters claim their routes would be environmentally preferable to BR's route, and would be welcomed by the local authorities in Essex, the county north east of the capital, and east London itself.

However, there is strong opposition from Swale District Council, centred on Sittingbourne in Kent, to any change from BR's route, and there is no guarantee that protests would be any less passionate than those from residents along BR's route.

Moreover, neither alternative project makes sense except as part of a radical reshaping of the UK railway system. Both would require substantial upgrading of track to allow Continental (UIC) gauge trains to move beyond London.

Arup admits that this accounts for much of the £10.3bn price tag on its scheme, but says a UIC network is essential if the UK is to participate fully in the European Community after the completion of the single market in 1992.

A terminal at Stratford would have some advantages, including support from the local council, more space for car parking, and easier transfers between trains. There are, however, two crucial drawbacks.

Stratford is several miles east of the City of London, the financial centre, and the West End, the tourist, theatre and shopping heart of the capital, where most passengers would want to go, and there is no satisfactory public transport link.

London Underground's Central Line which traverses the capital will still be overcrowded even after a £720m renovation is completed in the mid 1990s, and a planned extension of the Jubilee Line to Stratford is required simply to cope with existing congestion and the massive Docklands office and housing development in the East End.

Both alternatives would overcome this by using the £1.5bn East-West Crossrail scheme, which was proposed by a government study to link BR's Western Region terminal at Paddington with the terminal at Liverpool Street in the east of the City of London (with a possible extension to Stratford).

Manufacturers Hanover thinks that Crossrail would provide an Underground link to central London.

More ambitiously, Ove Arup proposes to run a spur from Crossrail to King's Cross, giving Channel tunnel trains access to the main lines to the Midlands, the north and Scotland. That would overcome the second main drawback of Stratford, which is the poor quality of links to the rest of the country. In the Ove Arup plan, Stratford would be used largely as a terminus for trains from Stansted Airport, London's fourth main airport north-east of the capital.

The difficulty with relying on Crossrail is that the Government has already postponed for a year a decision on whether or not to proceed, and has said that it will not be built if a better case can be made for the Chelsea to Hackney Tube proposal in London, which is not relevant to the high-speed-line debate.

Ove Arup yesterday suggested that the private sector might offer to foot 20 per cent of the Crossrail bill as a sweetener.

Mr Colin Stannard, chairman of Kent Rail, the Ove Arup subsidiary promoting the project, said he was confident the scheme could be financed as a joint public/private-sector project. He agreed that the company was proposing more than a simple high-speed line.

"Our idea is that InterCity and Freight should be the partners with the private sector, not British Rail," he said.

That means that the two BR business sectors that make profits (and subsidise the Network SouthEast and Provincial services) would have to be separated from the rest of the corporation and established in a new joint venture with a private sector consortium.

The joint venture would own and operate all freight and InterCity passenger services, both within the UK and through the tunnel.

The first step, however, will be to persuade Mr Parkinson to drop his support for BR and Eurorail, and call in all the schemes for full analysis.

BR will be hoping that this would be too embarrassing for the Minister to contemplate.

Government urges industry shake-up

By Charles Leadbeater

THE Government yesterday sanctioned what would amount to a revolution in the organisation of most UK manufacturing companies.

A report published by the Department of Trade and Industry (DTI), calls for sweeping changes in the way companies operate. In doing so it has joined a growing consensus that manufacturing is on the verge of a new era, variously described as post-Fordism, flexible specialisation or modular manufacturing.

The report, commissioned by the DTI from PA Consulting Group, the management consultancy, warns: "The chief executive should be prepared in many cases to see a total change in the way the business needs to perform."

Industry Minister Mr Douglas Hogg, who launched the report, said: "Business has improved in the 1980s. There have been massive changes in working practices and production technology. But that does not alter the fact that it has been narrowly focused. This report attempts to broaden the focus and stimulate a new debate."

The report's main theme is that the 1980s marks a break in the development of manufacturing.

Traditional factories produced most of the components they needed on a single site. They used a strict division of labour and dedicated machinery to produce large volumes of standardised products for a stable national market.

> 'The supply of certain core technologies is becoming dominated by a limited number of large, powerful, global businesses — many of them Japanese.'

The factory of the future will take many of its components from external suppliers. It will use interchangeable teams of skilled workers and flexible computer-controlled machinery, to produce smaller batches of customised products, for shifting international markets.

The starting point for this forecast transformation in manufacturing is a growing demand for stylishly designed, high quality products, which are more closely tailored to a customer's needs. Where companies once competed just on price and quality, they will in future compete on the customisation and technological sophistication of products.

This, in turn, carries far-reaching implications for the way products are made.

The traditional factory aimed to meet general forecasts of market demand by producing stockpiles of products. The manufacturer of the future will need to respond directly to demand from retailers transmitted by information technology links. Companies will have to develop new products more rapidly to meet shifting consumer tastes.

Relationships with components suppliers will be at the heart of manufacturing in the 1990s. The decision whether to make a component, or purchase it from a supplier, will become even more critical in the next decade.

More intense competition will force companies to concentrate on building up their competitive advantage in only a small range of activities.

The report advises companies to concentrate on making the core components which they have expertise in producing or which set their product apart. Thus car companies are retaining control of production of the electronic control systems for engines.

But non-core components will increasingly be sub-contracted. The trend towards products which incorporate complex new technology – microprocessor controlled washing machines – will make it impossible for companies to be experts in all aspects of the product. It is inevitable that there will be more external sourcing.

Thus manufacturers will increasingly become specialised designer and assemblers of components made by sub-contractors. They will operate within a network of supplying companies, often in far-flung parts of the world.

As a result, at some companies the efficient purchasing of components from suppliers has become more important than engineering.

However, the report warns that sub-contracting has turned components suppliers into the new barons of industry: "The supply of certain core technologies is becoming dominated by a limited number of large, powerful, global businesses – many of them Japanese."

Finally, factories will have to become much more flexible. The great manufacturing combines of the past had too much inbuilt inertia, which meant it was difficult for them to adapt to rapid market changes. Factories of the future should not be overburdened with new technology, but have the skilled workers capable to switching computer-controlled machinery from one product to another very quickly.

The implications of the report may be hard for manufacturers to accept as they struggle with slowing demand in the next year – but it would appear that the Government has officially declared they are on the verge of entering a brave new world.

Ambulance workers lose court pay ruling

By Fiona Thompson, Labour Staff

AMBULANCE workers taking industrial action across the country were dealt a blow yesterday when a High Court judge ruled that a health authority was entitled to dock the pay of staff taking action.

Six London ambulancemen sought an injunction banning the South West Thames Regional Health Authority from docking two weeks pay from their November pay cheques.

But Mr Justice Auld refused to grant the order.

He said the men, excluding one who is on sick pay and will receive his full money, had admitted they had been in breach of their contracts by refusing to obey a rule to radio back to central control at the completion of each job.

The men said afterwards that they would not appeal against the ruling but unions representing the country's 22,500 ambulance workers said they would be considering sueing local authorities for loss of pay.

A number of crews throughout the country have been warned by management that their pay may be docked for refusing to work normally.

Since last week, the majority of ambulance workers have imposed a ban on carrying out all non-emergency work, which has resulted in tens of thousands of people not being able to get to and from hospital appointments, out patients clinics and day centres. Throughout, the crews have pledged to answer all emergency calls.

For 11 weeks now, ambulance staff have banned overtime and rest day working in a bid to get an improved pay offer. They have rejected a 6.5 per cent one year deal and union leaders say a revised 9 per cent 18 month deal is no improvement.

The court decision is bound to cause great concern to ambulance workers, especially so close to Christmas, but the unions denied it might lead to crews abandoning industrial action.

Staff in the north east have dropped the ban on non-urgent work which Nupe, the biggest ambulance union, said yesterday was because of "gross intimidation" by management. And 100 ambulance workers in Derbyshire were said to have resumed normal duties.

Nupe claimed the effect of the judgment would be to make ambulance workers more determined. The public had donated thousands of pounds to the ambulance fund and the money would be distributed to staff in December.

Mr Bill Taylor, director of operation services for the South West Regional Health Authority, said: "We are clearly vindicated. The authority is very pleased that the judge found in our favour. We have taken a stance that if people don't work, they don't get paid."

In Brief

Managers say health needs 10% funds rise

National Health Service finance managers indicated that the service needed at least a 10 per cent increase in funds to forestall "significant service reduction," writes Alan Pike.

The figures are based on their expectation that inflation will exceed the government's inflation assumptions.

Although the health service gained a more generous allocation of funds that other areas in this month's Autumn Statement of government spending plans, the Healthcare Financial Management Association emphasised that it was "crucial" that increases in pay and prices should not greatly exceed the statement's 5 per cent inflation figure for 1990-91.

It said that if inflation were contained at 5 per cent, health authorities should be left with about £236m from the Government's allocation to develop the hospital and community health services. A 7 per cent inflation rate would more than wipe that out, requiring the authorities find another £273m.

Satellites freed

Britain's seven private satellite operators will be free to provide telecommunications services across Europe, Mr Nicholas Ridley, Trade and Industry Secretary, confirmed.

Tourist body cuts

The British Tourist Authority and the English Tourist Borad are to streamline their operations with the loss of almost 150 jobs, the Government announced. Mr Norman Fowler, Employment Secretary, said £4m was to be taken from the BTA and ETB's grant and redistributed to the regional tourist boards. The bodies now receive £40m in government grants.

Gilts cancelled

The Bank of England announced it would cancel government gilt-edged stock with a nominal value of £4.5bn that it had bought from the market to offset the monetary effects of the Government's large budget surplus.

A determined Sir Anthony Meyer, who is poised to challenge Prime Minister Margaret Thatcher for the Conservative Party leadership, yesterday said the Government's fall in opinion polls showed that it was not listening to the people. "If they dropped the poll tax and water privatisation, and if they showed some enthusiasm for Europe and did something about pensions and war widows . . . then I would change my mind."

Kings Cross project approval postponed

By Paul Cheeseright, Property Correspondent

THE DEADLINE for obtaining planning approval for Europe's biggest inner city regeneration scheme – on 134 acres of derelict land beside London's Kings Cross station in north London – has been postponed from next February until the autumn.

However, this would still allow the London Regeneration Consortium – comprising Rosehaugh, Stanhope Properties and NFC Properties – to start work on the site during 1991, as originally planned.

The postponement, agreed by the consortium, the London Borough of Camden and the British Rail Property Board, stems from British Rail's problems over its plans for a high-speed rail link from London to the Channel Tunnel and new passenger terminals at Kings Cross.

BR has delayed until autumn 1990 laying before Parliament the bill to obtain approval for a high-speed rail line while it sorts out the cost of construction and operation. But its bill to give the new line a terminal at Kings Cross and to provide a new station for the cross-London Thameslink line is now at the committee stage in the House of Commons.

The Camden planners feel that because the stations would be underground they should be dealt with before the overground developments. Also, they do not wish to make decisions until they can estimate future traffic levels and public transport needs.

The agreement to back away from any immediate decision on the regeneration scheme comes against a background of disagreement between the council and the consortium on the commercial-community balance of the project.

The council believes the development is too dense and that there are too many offices and too few homes and community amenities. However, neither side wants the talks to break down, opening the way to a public inquiry.

At the same time, British Rail is in dispute with the Special Trustees for St Bartholomew's Hospital, who claim title to some of the Kings Cross land.

St Bartholomew's owned 125 acres of the land until 1846. Talks between the two broke down two months ago and St Bartholomew's now expects its case to be heard in the High Court next February.

De Savary plan voted through

By Vanessa Houlder and Paul Cheeseright

MR Peter de Savary's contentious £200m project to build a new village on the Essex coast has won local approval.

The 31 to six vote by the Castle Point District Council that it is "minded to approve" the plan for Northwick Village on Canvey Island brought some comfort to Blue Arrow, the employment agency group.

Blue Arrow, when under the control of chairman, Mr Tony Berry, made an unsecured loan of £25m without interest to Mr de Savary for the project, in the hope that profits from the property venture could finance its America's Cup yachting ambitions.

Last May, concerned about the future of the project and under new management, Blue Arrow made provision in its accounts for losses arising from the loan.

Mr de Savary's success in winning District Council approval for the new village takes him a step nearer repayment of the loan.

Mr de Savary indicated that he would be prepared to consider accelerating repayment of the Blue Arrow loan, which is due in July 1991.

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UK NEWS

Building chief warns on 'stop-go'

By Andrew Taylor, Construction Correspondent

THE PRESIDENT of the Building Employers' Confederation last night warned the Government not to return to the stop-go economic policies that badly damaged the construction industry and restricted investment in infrastructure during the 1970s.

Sir Clifford Chetwood, chairman and chief executive of Wimpey, one of Britain's biggest construction groups, said: "We are doing reasonably well on turnover in contracting at the moment, but orders are thinning out and we are heading for a downturn in the second half of next year."

He called on the Government to lower interest rates, to raise public investment in infrastructure and to raise the ceiling for mortgage tax relief from £30,000 to £50,000.

Sir Clifford was speaking at the annual dinner for members of the confederation, which represents more than 900 companies with a combined annual turnover of more than £25bn.

He said the construction industry would not stand by and quietly accept a reversion to stop-go economic policies.

The Government had rightly encouraged private investment at the expense of public spending, but that had made construction investment vulnerable to high interest rates.

Sir Clifford said: "There are many areas of the country that need regeneration. If my forecast of a decline is correct, then the Government has adequate time for consultation to determine where further expenditure on infrastructure is necessary."

He called for a cut in base interest rates to 12-13 per cent, from their present level of 15 per cent, which he said would be sufficient to control inflation, while rekindling confidence and activity in the private housing market, which had been particularly badly affected.

He said that stamp duty, the tax payable on purchase of a property proportional to its cost, should be abolished.

Plastics industry 'set for a slowdown'

By Peter Marsh

A SLOWDOWN in the recent growth of the UK plastics industry is forecast in a study that paints a largely gloomy picture of the outlook for British manufacturing over the next 12 months.

The survey, by the British Plastics Federation, says many companies in the £10bn-a-year sector are worried about demand in 1990 from their main UK customers in sectors such as construction, packaging, cars and consumer goods.

According to the federation's forecasts, which are part of a survey of member companies repeated every six months, only a third of UK companies which supply plastics materials expect domestic sales to rise by more than 5 per cent over the next year.

About a quarter of companies in the sector expect a sales fall.

Companies involved with packaging applications – which have generally seen good growth in recent years – predict a slowdown.

Only 42 per cent of the companies surveyed expect UK sales to expand by more than 5 per cent in 1990. That contrasts with the 76 per cent by which sales increased in the past year.

As for companies which make plastics-production machinery – the smallest part of the UK plastics industry – the sales outlook is still more pessimistic, with 90 per cent of companies expecting home sales to fall over the next year.

Partly as a result of this expected fall, many companies in the sector are stepping up their export efforts.

Autumn 1989 Business Trends Survey, available from British Plastics Federation, 5 Belgrave Square, London SW1X 8PD, free to contributing members, £25 to non-members.

Glaxo stops biotech drug projects

By Peter Marsh

GLAXO, Britain's biggest drugs company, has dropped its development of two biotechnology-derived drugs once heralded as major breakthroughs in the fight to combat AIDS and cancer.

The drugs are interleukin-2 and granulucyte macrophage colony stimulating factor (GMCSF), both of which are based on human proteins and which in recent years scientists have been able to make in large volumes using new biology techniques.

Glaxo said it had dropped development of the products, which had been at an early stage, because of its wish to concentrate on other drugs being researched. "We decided our priorities lay elsewhere," the company said.

The announcement underlines the difficulties much of the drugs industry has experienced in selling many of the biotechnology-products which caused excitement in the early 1980s.

Glaxo started development of the biotechnology products two years ago.

Minister will examine Shorts security review

By Our Belfast Correspondent

MR PETER BROOKE, the Northern Ireland Secretary, said yesterday he would study closely the review of security at Short Brothers, the Belfast aircraft and missiles company, after the double IRA bomb attack at the complex on Monday.

Shorts, which recently became part of Bombardier, the Canadian group, has launched an urgent inquiry into how terrorists were able to breach security at the premises twice in the past four months.

A main obstacle is that the Shorts factory is part of a huge industrial estate housing dozens of companies and balancing security with reasonable access is difficult.

Mr Brooke said it was impossible to quantify the damage such attacks inflicted on the international image of the company.

Shorts has a full order book and is working flat out to meet deadlines for customers including the Ministry of Defence and private groups such as Fokker, the Dutch aircraft manufacturer.

Mr Brooke said: "As far as I am concerned, the review that is under way is of extreme importance, and I hope we will be able to learn lessons from it."

He said the bombing was part of the IRA's "vicious spiral" of attacks on economic targets in Northern Ireland, which can only worsen the unemployment situation.

The nearby Harbour Airport, also owned by Shorts, was closed for most of yesterday and all flights were diverted to Belfast International Airport.

Monday night's attack was a carbon copy of an IRA attack in July, when three devices exploded.

Terrorists said then that Shorts had become a target because it supplied high-technology military equipment to British forces.

US group in pipeline venture

By David Blackwell

THE FIRST joint venture between a big gas producer and an electricity generating company – a £15m-£20m gas pipeline – was announced yesterday.

PowerGen, the smaller of the two successor companies to the Central Electricity Generating Board and Conoco, the US oil company, will be equal partners in the project.

The 50km pipeline will run from Conoco's gas terminal at Theddlethorpe in Lincolnshire to the planned 1,020MW combined-cycle gas turbine power station at Killingholme in South Humberside.

The joint venture, to be known as Kinetica, is planning further expansion and development after the privatisation of PowerGen. This may include the supply of natural gas to industrial customers in Humberside, the North West and the Midlands, where many of PowerGen's power stations are.

Plans are that the pipeline should be constructed in 1992 in readiness for the start-up of the power station later in the year.

MANAGEMENT

Corporate investment

A Japanese view of the importance of manufacturing

Terry Yamazaki tells Nick Garnett of his concern for UK production

Terry Yamazaki: Westerners have a cultural problem. They should try and defend themselves more.

Terry Yamazaki, president of the world's biggest machine tool company, shakes his head gently. "One of my managers in England says he saw a radial drill in use in a British car plant." A radial drill? To Yamazaki this is yet another sign of a piece of old style equipment which he thinks has no place in a modern factory.

Sitting in a traditional Japanese restaurant in Nagoya near the main production plants of Yamazaki Mazak, Terry Yamazaki muses on the state of British industrial investment. His company opened a machine tool plant in the UK three years ago.

"I hear there are signs that there is an investment downturn in British industry. We understand investment cycles. We have this phenomenon in Japan but Japan's industrial investment has been high.

"A slow-down would be wrong for British industry. In the past two or three years you have made some investment but industry is very behind in some ways. If they are not going to do much investment over the next two to three years I do not believe there is a future for some of your manufacturing sectors."

Making any comparison with Japan on manufacturing is bound to leave the UK looking decidedly second rate. Yamazaki's own lifestyle, his large home, Rolls-Royce and 12-cylinder, long-wheelbase BMW and the collection of expensive paintings housed in his spacious wood-panelled office has been wholly built on Japan's enormous manufacturing success.

The share which manufacturing has of Japan's GNP has actually risen over the past 15 years to more than a third and the grinding commitment to investment there shows no let up. The Japanese machine tool industry, the world's biggest, has the largest backlog of orders in its history and 70 per cent of its output is pouring into Japan's own factories.

But Yamazaki, whose factory in Worcester exports 80 per cent of its production, makes some unattractive comparisons between the UK and his main European competitors. In terms of installing clever, flexible production cells, he puts it behind France as well as behind West Germany. "In terms of a cerebral approach, I think French companies are the best," he says.

Like most Japanese managers talking about foreign markets, Yamazaki says he does not want to offend. It is not really his place to criticise the UK.

But Mazak as a company is keen to build up its European market and, in terms of selling its machining centres and lathes as part of computer-controlled flexible production cells, it has some tough European competitors in Mandelli of Italy, West Germany's Fritz Werner and the very much smaller KTM in Britain.

It has invested £30m in the plant it built in Worcester. "We do not want the UK to give up. It is a big potential market for us."

Working in such a powerful manufacturing culture as that of Japan, Yamazaki cannot understand the view that the UK's visible trade deficit is a temporary phenomenon that does not matter. "I think it is a big problem for the UK. A country's wealth stands on its manufacturing."

Some might say that it is disingenuous for a Japanese company to criticise the UK's manufacturing performance when Japan's domestic market is partly closed and Japanese trade tactics have often fallen some way short of being fair and gentlemanly, to the detriment of the British competition. The UK's visible trade deficit with Japan, though, is a half that it has with West Germany.

But working in a country where meetings between government officials and industrial bosses are regular occurrences Yamazaki cannot understand why UK manufacturing appears to be drifting.

"There should be a national movement in the UK involving politicians, economists and industrialists to look at the whole issue and create a strategy to produce more, particularly more value-added goods."

This, of course, is alien to UK culture. But Yamazaki's reference to it underlines one of the things that is possible in Japan but not in Britain: a planned industrial approach, involving business and government officials, to an industrial problem.

But two other differences between Japan and the UK are demonstrated by the performance of Yamazaki Mazak and the views of Yamazaki himself. These are the aggressive attachment by Japanese companies to size and the strong culture of self-protection in the Japanese domestic market.

Motoharu Miyata, a Yamazaki Mazak senior manager, spent three happy years at Mazak's plant in Worcester. But some things in the UK still surprise him.

"The market share a company has is a big issue for Japanese management," says Miyata. "But in the UK, in many sectors, no one seems to know who is number one or number two. It's very difficult to get information. We tried to get some from the Department of Trade and Industry and I think we had to wait a year or maybe it was longer. Some people in the UK are very capable and you have all this technology in your offices so why you cannot produce information I do not know."

Yamazaki Mazak has been at the forefront of Japanese investment overseas; it built a plant in the US in 1974. Its owner believes Japanese companies could do more to set up production facilities overseas and buy components locally to supply them. But he does not try to fool anyone about Japan's domestic market.

"It is wrong to say the Japanese market is 100 per cent closed, but normal economic principles do not always work in Japan," he says. "The Japanese personality is what I would call wet rather than dry. If your neighbour is selling merchandise you would buy it even if it was poorer quality and of higher price than something from further afield. It's like having a relative selling you something. He is my relative so I buy from him. Westerners I think are too dry. It is a culture problem for them. They should try and defend themselves more."

But not, he hastens to add, by erecting trade barriers.

First the theory, now more practice

LBS is placing greater emphasis on industrial activities, reports **Christopher Lorenz**

The London Business School has been criticised in the past for paying inadequate attention to the practical needs of industry, and too much to the sort of analytical skills needed in finance and consultancy. Acknowledging that some of this has been justified, it is now to double the size of its staff in what has been the Cinderella of its activities: production and operations management.

The move brings together two of Europe's leading operations management professors, Terry Hill from Bath University and Chris Voss from Warwick Business School. Together with a newly recruited lecturer, they will increase the LBS operations management faculty to six from next April.

Hill and Voss, who are closely identified with the belated, but growing popularity in British industry of the concept of "manufacturing strategy" will work closely with service companies as well as manufacturers: one of their first steps will be to establish a service forum.

Though this is only the first of a number of expansion moves in several subject areas which are expected to be made at LBS under Professor George Bain, who took over as the school's principal in the summer, it is seen as particularly significant - in terms both of student interests and of industry's needs.

It comes at a time when business school students are becoming more attracted by jobs in manufacturing industry - and when some industrial employers seem not only to be overcoming their past resistance to hiring such high-fliers, but also offering them better pay.

Over the past four years the proportion of LBS graduates going into manufacturing industry has risen steeply – from only 11 per cent in 1986 to 37 per cent this year. The rise is accounted for only in part by the slump in recruitment by financial institutions; over the past two years their uptake of graduates has fallen from 39 per cent to 23 per cent of the LBS total.

At the same time the proportion going into consultancy has fallen, from 37 per cent in 1986 to 33 per cent this year. This is in spite of the fact that, with the return of some sanity to remuneration levels in financial institutions, consultancy now tops the starting salary league for LBS graduates, at an average of £35,000.

More significant is the fact that average starting salaries for LBS graduates going into manufacturing this year are up to £28,000 - the same rate as for jobs in non-financial services, and only £2,000 less than in finance itself.

In contrast with past practice, it no longer seems to be the local subsidiaries of American manufacturing multinationals which are making most of the running; two-thirds of the recruiting manufacturers this year for LBS graduates were British, and only a third US-owned.

Explaining why the size of the school's operations faculty is being enlarged so sharply, Bain says that "business schools almost always have a collection of strong functional specialisations: finance, economics and so on. But they often need to be strengthened in what they offer general management and especially manufacturing. Operations is at the heart of general management, in both manufacturing and services."

One of Hill and Voss's main achievements at Bath and Warwick has been to help a growing number of companies to start developing manufacturing strategies which are matched with their marketing and corporate priorities. All too often, claims the duo, marketing and production decisions are made in isolation of each other.

One result, says Hill, is that companies have tended to instal flexible manufacturing technology "as a strategic cop-out" - an expensive technological response by the production function when flexibility was not really required at all. "In many cases you don't need that - what you do need is to match manufacturing with the marketplace", says Hill.

"If manufacturing is omitted from your company's strategic debate," he warns, "you leave 80 per cent of your investment and people out of synch with the marketplace."

A holistic approach to manufacturing

There has been quite a number of successful manufacturing revivals in UK industry – from British Steel to many lesser fry – over the past few years. But there is still far too much "management by rhetoric" and "half-baked action", according to Chris Voss, professor of manufacturing policy and strategy at Warwick University.

Voss, who will be moving to the London Business School next spring, blames companies' false starts on what he alleges is a widespread "lack of the bravery needed to change the whole company."

"Manufacturing companies tend to manage by 'change programme' rather than by changing the way they organise manufacture," he claims. "You can take Total Quality Management, Just in Time, Islands of Automation, etc only to a certain point."

To go beyond that stage, Voss argues, you should start the whole process by developing a manufacturing strategy – a clear sense of direction for every aspect of your production facilities, backed up by detailed analysis. Above all, this should be integrated with marketing and corporate strategy.

Explaining the concept of manufacturing strategy to a Strategic Planning Society conference in London earlier this month Voss argued that production was too often treated merely as an operational function – reactive to what a company's marketing specialists told it to make.

This compartmentalised approach to manufacturing could be disastrous, Voss warned. It resulted in factories being forced to make far too wide and uneconomic a range of products, frequently with entirely unsuitable types of production facilities.

A particularly common problem, he said, was of companies with production lines trying to make an ever-increasing variety of low-volume products – a manufacturing pattern which is far more suited to plants organised on a batch or even "job shop" basis. At Ladybird Knitwear, for instance, this eventually helped lead to the company's collapse as a high-volume manufacturer.

To overcome such manifest dangers, said Voss, companies should constantly ensure that production considerations were taken into account during the formulation of marketing and corporate strategy decisions.

For this to be done effectively, marketing strategy needed to look at least five years ahead, instead of concerning itself just with "what shall we do next week, or in the next marketing campaign?"

The objectives of marketing strategy also needed to be expressed in terms which were relevant to manufacturing, said Voss.

For instance, such factors as product range, mix, volumes and degree of standardisation/customisation must be assessed. So should the key competitive factors which would actually win orders in the marketplace, whether they are price, quality, delivery speed/reliability, colour range, or design leadership.

"You can't win orders on all dimensions," Voss pointed out. "But many marketing strategists don't even use these terms."

Exemplifying the significance of such factors from a manufacturing point of view, Voss underlined the importance of knowing well in advance how stable the production mix was likely to be. He knew of a car manufacturer which, against all market trends, had recently made the dangerously heroic assumption that its ratio of large-to-small engines was likely to remain the same over the next few years.

To ram home the need for close co-ordination between manufacturing and marketing Voss also cited the extraordinary case of a company which decided to make a £100m production investment without telling its own manufacturing people what the marketing strategy was. Apparently it was "confidential."

CL

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ARTS

TELEVISION

A funny sort of feminist

Switch on BBC2 at 9.25 tonight and you will hear orgasmic panting on the soundtrack, as the camera probes around a brightly lit showroom full of undressed female window dummies. On the walls are pictures of women modelling underwear. You hear a male voice urging "Spit on me! Spit on me!" and then groaning "My beauty, my beauty" followed by female laughter. The camera, still roaming, suddenly finds a beautiful young woman with long black hair, huge black eyes, and endless slim thighs, dressed in a silk and lace teddy – the very cynosure of 20th century masculine desire. Frightened by the approach of the camera – *our* approach – she clutches a doll to her breast and shrinks back into a dark niche in the wall. So far the programme has lasted some 10 or 12 seconds.

During the next 30 seconds we hear a 1930s crooner singing "Getting Sentimental Over You" and see men manhandling the dummies. As the camera keeps dollying right the gorgeous girl emerges again and again – quite impossibly, of course – from other dark embrasures, cringing away from the camera each time. A peculiar whispering echo creeps onto the soundtrack behind the crooner (the aftermath of orgasm?) and then an oddly familiar voice joins the whispering and the crooner to say "Listen! Oh god, no, she began like this: as plastic, dead, and as demeaning as any standard male fantasy."

This is the opening of *Blackeyes*, and even if you have been imprisoned on the dark side of the moon for four weeks and missed all the advance publicity you should be able to guess the identity of the writer from the description. Only one man in television constructs multi-part soundtracks full of 1930s songs, orgasms and voice-over, and then combines that with a "magic" mixture of harsh reality and the physically impossible. Just the combination of a beautiful girl in silk lingerie and a crooner should give it away: Dennis Potter, of course. Moreover the voice-over is oddly familiar because it is Potter's own (we know it from interviews and chat shows, most recently Sue Lawley's) and, for the first time in a hugely impressive career, Potter is serving as his own director. The screenplay began life as a novel he wrote to "escape" from his last great work, *The Singing Detective*.

The elements already mentioned are not the only ones that have concerned Potter before. Once again we are preoccupied with sexual power, the sensibilities of the writer, and the way that "memory syncopates;" Potter himself coins this phrase in the second episode. Above all, this new four-part drama is delivered, just as *The Singing Detective* was, via the mind of a writer. But whereas Potter in *The Singing Detective* achieved something close to the true complexity of our inner lives by moving between wakefulness, dreaming, and fever in the head of his bedridden thriller writer, switching from time to time to the material of one of his books, in *Blackeyes* he uses two writers.

There were times, while I was previewing all four episodes, when I became confused about which creature was the product of which writer's imagination. Michael Gough has a wonderful time playing Kingsley, the dirty old man (literally: he wears smelly socks and farts in bed – "Now you *know* you're watching a British drama" says Potter's voice-over) who takes the experiences of Jessica, his fashion model niece, to create his book about "Blackeyes," the girl we met in the opening scene.

Jeff ("An advertising copywriter with real feelings – can you believe it – he's not just off the wall, he's off the page") played by Nigel Planer, is another of the characters in Kingsley's book, yet in later episodes there are moments when it seems that Jeff is really the puppet master who created Kingsley. Does it matter? Beyond them both is that voice-over which documentary programme makers sometimes call "the voice of god."

Some may argue that this complexity is the art that conceals . . . not art, but the thinness of Potter's story. This concerns an uncle who "interferes with" his niece when she is a little girl and again when she is an adult woman, stealing from her that which is most valuable and most personal at both stages. But Potter is so far ahead of the field in his use of television that his "story" scarcely matters any more. It is true that this new drama has a slighter narrative than *The Singing Detective*, but Potter is now using television as James Joyce used the novel and Van Gogh used painting: as a multi-layered medium of intense self expression.

That being so, it is ludicrous to berate him, as some have, for becoming "repetitive" in his themes: rather like saying to Rembrandt "Awfully good old chap, but haven't you painted your own portrait before?" That images and even plot lines will recur in Potter's work – from the songs of the 1930s to the "Wizard Of Oz" scarecrow (in *Blackeyes* Gough is occasionally the spitting image of the scarecrow) – is as inevitable as the recurrence of facial quirks in Rembrandt's self-portraits, and for similar reasons; they are the constituent parts of what the artist is trying to convey to the public himself.

Stylistically the chief concern with *Blackeyes* is that Potter, having directed for the first time, may have become too much taken up with technique, like a painter becoming so engrossed in the quality of his paint that he pays less attention to the picture. Unlike Peter Greenaway and Nicolas Roeg, the only two Britons whose work I would compare to his, Potter's career has all been in writing, and while nobody would begrudge him the satisfaction that he says he has derived from directing *Blackeyes* we may be less happy than he is with some of his long, encircling camera movements which are sometimes reminiscent of *Napoleon*, made by Abel Gance in 1927, remember.

Gina Bellman in Dennis Potter's "Blackeyes"

But that is less important than the question of what *Blackeyes* is "about." The received wisdom is that after years of agonising over god and politics Potter has finally "got" feminism and *Blackeyes* is his way of saying so. But among those who previewed Episode 1 and saw Gina Bellman (the actress who vaults from nowhere to stardom by carrying off the title role with such utter conviction) taking off her bikini top not once but twice, some muttered "Isn't Potter being a bit, well, ambivalent? Isn't this just the sort of exploitation he's supposed to be deploring?"

And the answer must surely be yes, of course, because Potter is far too intelligent to swallow the entire feminist creed, hook, line and sinker, and far too honest to conceal the ambivalence about heterosexual relationships which has characterised so much of his work. Certainly he sees all too clearly that men exploit women, (there is a curiously gauche cut from model girls to caged birds in Episode 3) and he includes some right-on feminist material ("They say it's all that pretty girls need to see – the ceiling"). But he also realises that women are expert manipulators of men, not least because men – well, many men anyway – are only too pleased to be manipulated, literally and figuratively, by women.

It is also as clear from *Blackeyes* as from any of his previous work that in Potter's world women exert great power over men by way of physical attractiveness. Yet while Potter the man is obviously acutely conscious of this, Potter the dramatist insists upon interpreting it solely in terms of the base motives of the luster (the man) and rarely if ever in terms of the motives, however questionable, of the lustee (the woman). To that extent Potter is, indeed, a sort of feminist, yet that feminism is still a weak thing compared with his ambivalence.

Having said all that, it might be as well to add that *Blackeyes* is wholly engrossing and often very funny. Why are there not 10, 20, 50 young people working in Potter's shadow, like pupils of Rembrandt?

Christopher Dunkley

The Baker's Wife

PHOENIX THEATRE

The Provençal stories of Marcel Pagnol have been rediscovered in the Claude Berri films *Jean de Florette* and *Manon des Sources*. A natural spring needed to cultivate carnations led to a dastardly squabble, a thirsty village and a tragic family rift.

In *The Baker's Wife*, the locals have gone without bread for seven weeks. When the new middle-aged boulanger, Aimable Castagnet, turns up from Marseilles, his young nubile wife promptly runs off with a Marquis's servant and the romance scandal leads to the unprecedented catastrophe of no buns in the oven.

This musical expired on the road in America in the mid-1970s; not even Hal Prince could nurture it on to Broadway. Trevor Nunn has collaborated closely with librettist Joseph Stein and composer/lyricist Stephen Schwartz. The result is a near decent musical with about one and a half good songs, a smattering of Provence village atmosphere curiously underpinned with old-fashioned oompah musical high jinks, and a love story that starts off shakey and ends up sentimental.

Geneviève, the baker's wife, is an ex-waitress still pining for a married man called Paul, whom we never see and only hear about in the middle of one song. Neither the writing nor, it must be said, the acting of the director's wife, Sharon Lee Hill, makes any sense of this character. Most of the time, Miss Hill appears to be suffering from mild indigestion, perhaps as a result of eating too much bread. One rhyming lyric I jotted down reads "What is as luscious as a brioche is?" At which point the company is celebrating the arrival of their daily loaves, and a yeasty smell-around effect invades the stalls.

The dilemma of Geneviève is expressed in her main song about a meadowlark who pined and died for the love of a sun god she spurned out of loyalty to the king. Miss Hill displays versatile vocal riches without quite binding the whole thing together. Anyway, she flies off for a bit of fun in Marichon with the narcissistic lady-killer (Drue Williams) who has serenaded the married couple beneath their window and seduced his prey with Chaucerian chutzpah.

Aimable now takes up drinking, and Alun Armstrong has a field day in a knockabout number, catching toppled bottles, leaning woozily at 45 degrees and nearly leading the company over the edge in a re-run of the old Paul Scofield gag in the Peter Hall *Government Inspector*. Armstrong is, as ever, a delightfully insinuating performer with that incontestable streak of grainy outdoor peasant realism that so transfigures the Berri films.

The musical theatre is curiously inimical to that kind of realism. But Nunn does not accept this. He obviously did not take on the job because he kneaded the dough, but because he feels a compromise, or marriage of the two forms, cinematic and musical, is possible. I think he had a better score in *Aspects of Love*, a better drama in *Les Misérables* (Armstrong's Aimable is development of his vaudevillian Thénardier) and a better concept in *Cats*.

The painstaking detail of his best Shakespeare productions, their quality of life being lit up from within, is missing here. John Napier has provided two revolving trucks – of the cafe, where the regulars, the priest and the unlikely Marquis of James Villiers with his three "nieces" are permanently ensconced, and of the baker's lodging. But the pretence of a musical, and especially of this tinny, unmotivated score, denies the environment. The illicit lovers escape to the vine-infested hills and a bleak little hotel. David Hersey's lighting never suggests the blinding, light-or-scorching heat of the district.

Michael Coveney

Idomeneo

COVENT GARDEN

It has been quite a month for new productions at the Royal Opera. At the start, Cherubini's *Médée*, a severe French neo-Classical tragedy, turned into a sophomoric combination of Napoleonic pageantry and farce; at the close, Mozart's *Idomeneo*, musically perhaps the supreme achievement of 18th-century Italian serious opera, turned into a fractured mixture of surrealist grotesquerie, super-naturalistic war-drama, disaster movie, and violent modern-opera cliché.

The link between these two wearisome and shameful events is that both works chosen for revival are, in their different ways, exalted examples of a grand Classical operatic style long out of fashion and still not fully restored to the common currency of operatic re-creation; and that, instead of attempting to pursue a method of "re-inventing the language" in strictly argued modern theatrical equivalents or alternatives (such as, in the spoken theatre, Philip Prowse and Declan Donellan have recently explored for Racine and Lope de Vega), the Royal Opera seem to have been bent on devising elaborate escape-hatches from the whole problem. The failure of both new productions – on a mortifyingly spectacular scale – must surely bring the company's artistic credibility seriously into question.

The producer is Johannes Schaaf, working with the designers Hans Schavernoch (sets) and Lore Haas (costumes). Schaaf has been entrusted with the house's current Mozart renewal: *Figaro* (1987), energetically stuffed with Bright Ideas, and *Così*, earlier this year, a dislikeable exercise in sour knockabout, were its earlier episodes. The total of those stagings and this *Idomeneo* indicates, to me at least, the extreme un-wisdom of the choice. I don't know Schaaf personally; from these three Mozart experiences I now imagine him to be a terribly embittered human being, undoubtedly intelligent and a creature of the theatre, who hates music and despises the very notion of love, particularly young love.

Certainly, he does not seem a "natural" for *Idomeneo*. Everything he does gives the impression of a sustained attempt to confound, contradict, negate, even rend its dramatic and musical fabric. This is one of the most unified scores of the 18th century, with motivic networks reaching out from the overture across the entire span of the opera; the manner of design (mix-and-match modern Levantine clothing with sideslips into Oriental militarism, stage pictures a jumble of skewed Classicism, modern German brutalism, and fine-detailed disaster *scenes à la Nagasaki* or post-earthquake Armenia) sedulously undermines it.

The very delivery of recitative – stare, gulp, meaningful emphasis, pause – is a token of the discontinuities of style visited on the opera. Except in Ilia's song to the breezes, a moment of oasis repose in the long desert march of the evening, stillness forms no part of the *mise-en-scène*. Worse still is the determination to set up road-block-size distractions between the audience and the musical numbers. Again, this is one of the most psychologically acute and emotionally refulgent of 18th-century operas, each aria or set-piece generously defining and expanding character portrayal; in almost every aria or setpiece, Schaaf works up some bit of tomfoolery to redress, or *upset, the balance*.

Elizabeth Connell, Sylvia McNair, Philip Langridge and Ann Murray

Each of the principal personages is lamed this way – Ilia the least, Electra the most. The latter is treated as a figure of fun, in equal parts Margaret Dumont and Madame Sosostris, at her most ludicrous, according to the producer, in moments of misguided lovelorn reverie; "Idol mio" is a comic pas de deux shared with a little boy nervously proffering a paint pot and brush. (What is Electra daubing on the floor the while – "Schaaf Go Home"?)

And what is it all for? As the evening sinks toward the epicentre of operatic catastrophe, in the third act, one presumes that the message being delivered runs along the lines of "Don't just sit back and relax, this is serious business!" – that all-too-familiar exhortation of the various Teutonic opera-didacts who have been visiting this country in the last two decades.

In the last ten minutes, however, that changes. After the sacrificial rites have been enacted, with an emphasis on the gruesome that makes the ENO *Mazeppa* look like *Blue Peter*, Kay Lawrence's troupe of "authentic" Baroque dancers trip on to the post-nuclear scene and prance about, pulling Ilia and Idamantes apart and generally indulging in heavy satirical carry-on. This ending, if it is not simply the mark of a producer who ran out of ideas, seems to tell us, emblematically, that the whole *opera seria* form smothered Mozart, and that the work is ultimately contemptible.

Is this really the *Idomeneo* the Royal Opera wanted to replace Götz Friedrich's lamentable effort of a decade ago? If so, I pity them, and pity any newcomer to the opera who chances upon it here.

Brief words on the cast, and a sincere condolence to all. Sylvia McNair's Ilia is light and lovely of voice, Elizabeth Connell's Electra brave and powerful (on occasion, gustily so) to the point of self-sacrifice. Ann Murray, a slope-shouldered crybaby of an Idamantes, presses her notes into ugly squalls. Philip Langridge (so moving at Glyndebourne) has been directed to give a ridiculous account of the title role, ranting and raving, skulking about the stage, snarling out his music in rough, nasal tones.

Less discreditably involved are Robert Tear (Arbaces) and Stuart Kale (High Priest); the chorus sings well. Jeffrey Tate's conducting, with its concern for warm, smooth textures, moderate pacing, roundness of phrasing, and "continuous" (rather than airy, bright-coloured) surface, provides the strangest contrast to the sense and style of the production.

Max Loppert

Christopher Bruce

THE HIPPODROME, BRISTOL

The curtain rises on a ballet by Christopher Bruce, the dancers start to move, and I always think "I've been underrating this choreographer. He's one of our best." His movement is so obviously dancer-friendly and dancer-grateful. It is made of real phrases, rich in contrasts of dynamics and shape, alive with texture and purpose.

His latest work, *Symphony in Three Movements*, which received its première with English National Ballet on Monday, is a real advance for him in several respects. It takes its title from the Stravinsky masterpiece which it accompanies, and immediately it is plain that this has prompted Bruce to set his dancers moving at a new speed. There is a rapid urgency in the first and third movements and an intensity of plastique throughout that are unfamiliar. What's more, he has weeded out certain usages – the bicycle-pedalling legwork in lifts, the Zorba chain-dances, other European folk material – that had become his clichés.

What has replaced folk dance? Jive – which he's heard within this wartime score. Nadine Baylis has provided a backdrop view of bleak industrial pylon architecture and has padded her shoulders of the men's sweaters and the women's tight-bodied dresses. The look is 1980s, with post-Blitz wartime undertones.

It's still a recognisably Bruce work. Angularity punctuates the current of the phrases. There's a vivid alternation between turned-out and parallel legs, between stretched and bent limbs, between dancing alongside and against the music. As ever with Bruce, no pointework. Those flexed feet, Graham Pliés in second, bent knees and elbows, bending torsos, the occasionally doll-like behaviour: by these signs shall ye know him.

There are six men and six women – five of whom are ranked as company principals, five as soloists. Bruce has so used them that in the first movement, most of which is for five couples, it seems that there's a whole populace on stage. I admire him for suggesting so many with so few, but regret that he has given little individual opportunity to the dancers. This is even true in the second movement duet for Josephine Jewkes and Maximiliano Guerra.

Comparison to Balanchine's 1972 ballet to the same score and title – which New York City Ballet danced again in Europe this September – is inevitable and unflattering. Balanchine's three movements have the same ensemble-duet-ensemble structure, and he too includes the jive. But he shows us that Stravinsky's mind was on wartime in the Pacific, Europe, and at home in the US too. We see inscrutable Japaneserie, American jive, marshalled forces, churning energy and half-hidden combatants. Bruce's ballet is just a whiff of how things sometimes felt for urban folks in the war.

Alastair Macaulay

ARTS GUIDE

November 24-30

THEATRE

London

A Life in the Theatre (Haymarket). Slight but enjoyable DavidMamet early play anglicised to reflect the last days of weeklyrep and notable for the return to the stage of a silkilyaccomplished technician, Denholm Elliott (930 9832).

Jeffrey Bernard Is Unwell (Apollo). Brilliant performance by Peter O'Toole as an alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs (437 2663).

A Little Night Music (Piccadilly). Fine revival by Ian Judge,imported from Chichester, of Sondheim's 1973 schlagobers version of a Bergman film. A beautiful score, composed mostly in waltz time, is touchingly performed by Lila Kedrova, Dorothy Tutin (her best work in years), Peter McEnery and Susan Hampshire (867 1118).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, unspectacular, hit (839 5972).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

A Christmas Carol (Goodman). For the 12th year, the Goodman company does its holiday thing, with William J. Norris as Scrooge for the 11th year, but a new director, Steve Scott, and new adaptation by Tom Creamer promise to refresh the familiar. Ends Dec 30 (443 3800).

Tokyo

Kokumsenya Gassen. New play written and directed by Hideki Noda, loosely based on a famous puppet play by Chikamatsu. An exuberant comic-strip travesty of Japanese myth and history, with brilliant Pop Art sets and lots of colour and movement. The verbal humour may be beyond most non-Japanese, but this is nevertheless a most enjoyable production. Ginza Saison Theatre (5478 0771).

The Rose of Versailles. A must for connoisseurs of kitsch. The all-girl Takarazuka Revue celebrates its 75th birthday by reviving its famous romantic musical set in 18th century France. A plot summary in English is printed in the theatre programme. Takarazuka Theatre (201 7777).

Hamlet, Britain's National Theatre in a production that was praised in London earlier this year for its wit, intelligence and clarity. Ian Charleson has now taken over the role of the Prince from Daniel Day Lewis. With Sylvia Sims as Gertrude. Tokyo Globe Theatre (360 1151) (Opens Tues).

SALEROOM

Record for UK auction

After the excitement of Monday night, when Christie's set a new record for an auction in the UK, and indeed for any held outside of the US, of £76.5m, with just 5.5 per cent unsold, its sale of second division Impressionist and Modern watercolours and drawings yesterday was something of an anti-climax with a total of just under £5m, but with around 30 per cent unsold.

Still nothing can take away from the success of Monday when Christie's established five major artist records and had only one setback, the price of £7.15m for Picasso's early work "La maternité," which had been expected to make £10m. But the market for Picasso is sticky at the moment, with the high prices of last season attracting out too many works for disposal by greedy vendors. "La maternité," which had sold for $152,000 in 1952, was bought by Tokyo financier Yashmichi Morishita, who owns Aska International, which has a 6 per cent stake in Christie's. All told he spent £14m on five major pictures.

The star item was a small still life of apples by Cezanne which sold for £11m, a record for the artist, almost twice the estimate, and three times the previous auction best for the artist. Léger did even better, the cubist "Contraste de Formes," making £9.35m. The previous best for Legér was £1.164m.

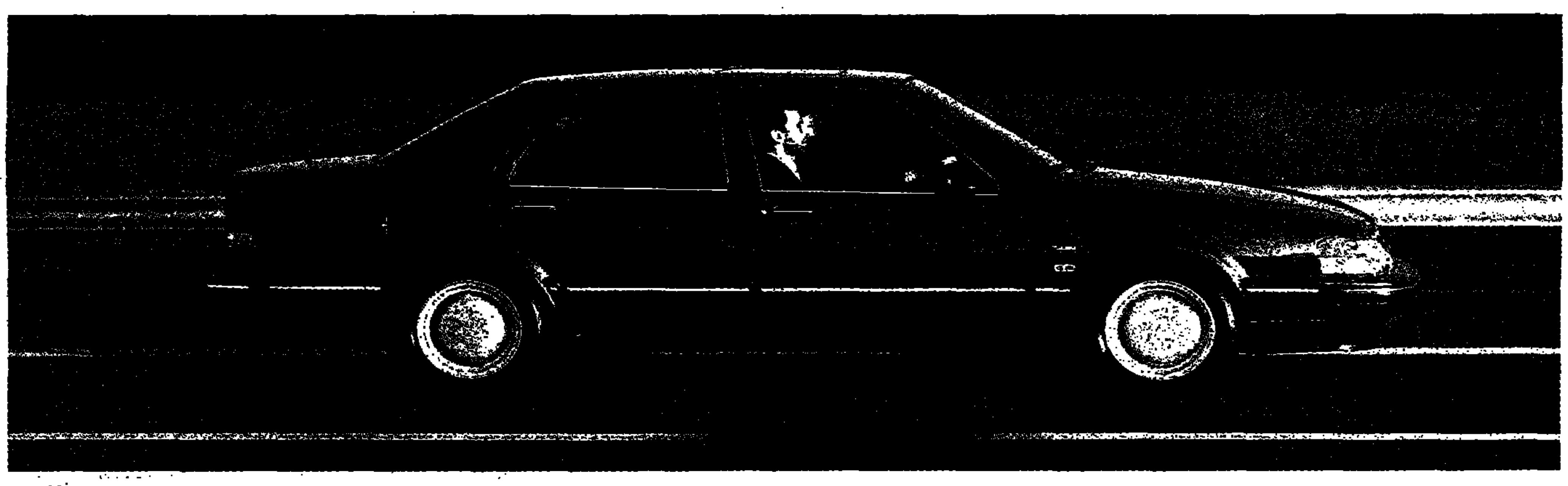
There were also records for Braque – £2.86m for "L'Arlequin;" for Magritte – £1.43m for "La Condition Humaine II;" and for Caillebotte – £1.342m for a harbour scene. The auction proved that if works of quality and rarity are offered there are still enthusiastic buyers, especially in Europe. Around 43 per cent of the 75 lots were acquired by European buyers as against 30 per cent going to Japan, and only 10 per cent to the US. Challenging work by 20th century masters like Legér, Braque and Vlaminck sold easily.

Phillips first auction of Russian 20th century and avant-garde art on Monday brought in £683,536, but with a quarter unsold. A 1928 Cubist work by Liubov Popova went to a New York collector for £209,000. A group of recent Soviet paintings found few buyers, but the first variant of the death mask of Lenin, made the day he died, sold for £6,600.

Antony Thorncroft

CRASH WORTHINESS RESEARCHERS UNANIMOUS.

SAAB SAFEST



Two independent research groups have released data on almost 7 million car accidents in the U.S. and Sweden. Both reached the same conclusion: the Saab 9000 is the safest car.

Saab is twice as safe as the average car in its size class (one that includes the BMW 500 series, the Volvo 7 series and the Lincoln Mark VII). This is the result of a study of 6 million accidents in the U.S. made by the HLDI, Highway Loss Data Institute.

Sweden's largest automotive insurance company, Folksam, studied the results of 900,000 car accidents. They rate Saab more than 30% better than its nearest rival, which is itself considered a very safe car.

Folksam safety researcher, Dr. Claes Tingvall, comments:

"If people were aware of the huge differences in car safety, proven crash worthiness would be a major aspect in their choice of car."

SAAB SCANIA

SAAB

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Unity by degrees

THE BASIC Law of the Federal Republic declares that "the entire German people are called upon to achieve in free self-determination the unity and freedom of Germany." Inevitably the dramatic changes of the last few weeks in East Germany have revived West German hopes and aspirations in this direction. At such a moment people expect political leaders to live up to their rhetoric, and to take concrete steps towards the realisation of what were until then abstract objectives. Mr Helmut Kohl has to respond to that expectation, and in his speech to the Bundestag yesterday he sought to do so.

It was a difficult task because, at this decisive moment in European history, he has also to take account of other views, notably those of the East Germans themselves but also those of the four powers which defeated and occupied Germany in 1945, three of them being now allies of the Federal Republic in Nato while the fourth, the Soviet Union, is the ally and protector, not to say the only begetter, of the GDR. All four are still legally occupying powers in Berlin, and one may fairly say that the Soviet Union is also still an occupying power in East Germany, since the East German governments which have signed treaties with it and otherwise legitimised its presence were not freely chosen by the East German people.

Soviet interlocutor

In spite of that, the Soviet Union is no longer seen as an enemy by most West Germans. On the contrary, Mr Mikhail Gorbachev is all the more popular for having permitted, perhaps even instigated, the changes in East Germany. But Mr Gorbachev has made it very clear that he does not want those changes to lead to German unity. He sticks by the GDR as an independent state, and he expects it to stick by him as a member of the Warsaw Pact. The Western allies, for their part, also set great store by Mr Gorbachev as a Soviet interlocutor and are anxious to do nothing that would make his position more difficult. In addition, they now see the Warsaw Pact itself as a valuable interlocutor for Nato in disarmament talks and a force for regional stability, at any rate during the present period of very rapid political change in eastern and central Europe. These are good reasons why, without being insincere in their support for the German right of self-determination, they do not wish the West German Chancellor to push the issue of unity too hard or too soon.

Tricky rapids

Mr Kohl's speech yesterday was a fairly skilful attempt to navigate these very tricky rapids. To German public opinion he offered the long-term goal of "federation," which is simply a possible form of the unity which has always been the Federal Republic's stated goal, plus the phrase "confederal structures" to describe possible forms of co-operation between what will remain, in the short term, separate states. All this was vague enough, especially on timing, to reassure his allies and perhaps Mr Gorbachev too. His repetition of the standard Western conditions for aid to reforming East European states seems to have caused some offence in East German opposition as well as government circles, where there is fear that market-oriented reforms will lead to the simple "absorption" of East Germany by West Germany. But it remains to be seen how far that prospect really offends the East German population, as opposed to the political groups which still feel the need to convince the regime of their "socialist" bona fides.

To the Four Powers Mr Kohl offered the assurance that "the development of inner-German relations remains bedded in the pan-European process and in East-West relations" and "the future structure of Germany must fit into the architecture of Europe as a whole." But he went on to make it clear that this is a call for change, not for continuation of the status quo. "The West has to provide peacemaking aid," he declared, "with its concept for a permanent and just European order of peace." Does the West in fact have such a concept? If it is to respond to German aspirations it is clearly going to need one soon.

Short-changing the taxpayer

THE NATIONAL Audit Office's report on the sale of the Rover Group in 1988 is a timely reminder that Britain's privatisation programme has involved significant costs as well as benefits. In this instance, ministers were so anxious to achieve a quick sale that they failed to achieve a fair price for taxpayers.

The Government's mistake was to ignore the advice of Baring Brothers, its financial adviser. Baring argued that it would not be possible to achieve the best terms for taxpayers without inviting competitive bids for Rover. According to the audit office, ministers took the view that the benefits of a competitive sale would be outweighed by the uncertainty it would engender. The Government therefore entered into an exclusive negotiating contract with British Aerospace; four other expressions of interest were never translated into firm offers.

At the time of the sale, Rover was a going concern, having earned a profit of £27.9m in 1987. The economy was buoyant and the outlook for car sales was good. In such circumstances, it is difficult to see what harm could have come from seeking competitive bids. The Government says it was worried that obligations to creditors theoretically amounting to £1.6bn could have crystallised if Rover had failed. But there was little risk of the company suddenly failing during a short bid battle.

Ludicrously low

Having agreed to negotiate exclusively with BAe, the Department of Trade then failed to adopt a sufficiently tough stance. BAe's initial offer was ludicrously low: it offered nothing for Rover and demanded a £750m cash injection to cover the group's existing debts. Baring advised that a debt-free Rover Group would be worth around £950m. Making a generous allowance for risk, it recommended that the Government provide the requested £750m debt write-off and offer to sell Rover for £200m. This would be tantamount to a net cash injection of £550m.

Amazingly, the Department of Trade judged these terms too stiff. Its counter-offer to BAe was a net cash injection of £500m, double what Baring suggested. After further negotiation, it retreated further, finally agreeing to a net cash injection of £650m. Fortunately for the British taxpayer, the European Commission intervened, arguing that these terms violated European Community laws on state subsidies. The Commission pointed out that a debt write-off on the scale envisaged by the Government would put Rover in a more favourable financial position than most of its competitors. It finally agreed to a net cash injection of £422m, although more than £100m of this was dressed up as regional aid and tax benefits.

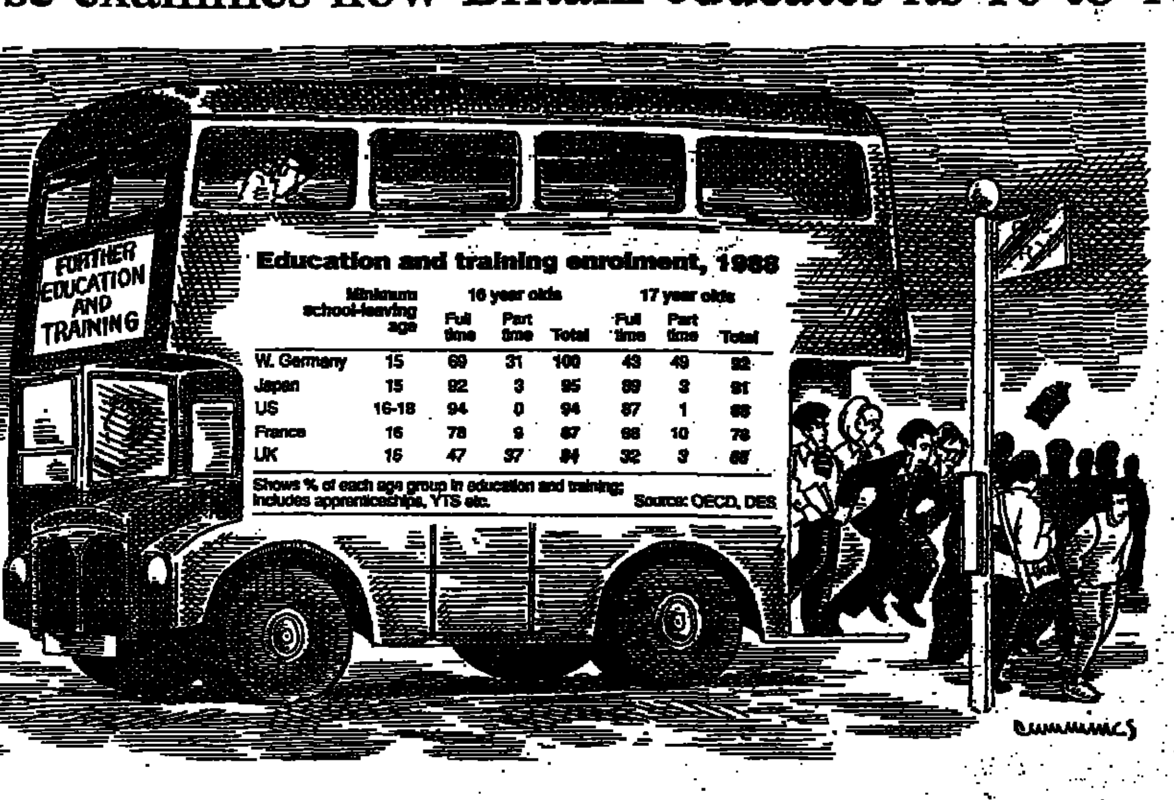
Obvious lesson

BAe ended up paying £150m for a company substantially relieved of debt and which had surplus assets and tax benefits worth at least £250m. It has since declared a 1988 profit before interest and tax of £65m and realised £126m of its surplus assets. No effort was made to value Rover's sites and other assets before the sale. The National Audit Office is thus correct to argue that the price agreed with the Department of Trade fell well short of Rover's true value.

One obvious lesson for future privatisations is that the Government should take more care to assess the market value of surplus property, shareholdings and tax benefits. Sale contracts should include provisions allowing the vendor to clawback unforeseen financial benefits accruing from surplus assets. But the more important moral is that a fair price cannot be achieved by giving one party monopoly negotiating rights: competitive bids ought to be sought as a matter of course.

The Rover Group was in the state sector for 13 years and it received taxpayer subsidies worth some £2.9bn. The Government's anxiety to achieve a quick sale was thus understandable. But it did not justify the failure to take reasonable precautions to ensure value for money for taxpayers. It is almost certain that a better home for Rover could have been found at a lower net cost to the taxpayer.

Michael Prowse examines how Britain educates its 16 to 18-year olds



The need to stay the course

The biggest challenge in British educational policy today is to devise a coherent curriculum for 16 to 18 year-olds — one that caters for the great majority of students, especially those with a vocational or practical bent. If reforms for this age group are not forthcoming, the Government is unlikely to achieve its targets for higher skill levels in industry or for increased participation in higher education.

At present, only about 40 per cent of 16 to 18 year-olds remain in full-time education at schools or colleges of further education. This ratio, which has not changed significantly in a decade, is miserably low by international standards.

In the US, Japan and Sweden, around 90 per cent of this age group is in full-time education or training. In France, the staying-on rate is already about 75 per cent and further increases are planned. In West Germany, the proportion of 16 to 18 year-olds in full-time education is lower, at around 55 per cent, but the great majority of school leavers enter demanding three year industrial apprenticeships under the so-called "dual system." Their general education continues one or two days a week at technical schools.

Britain's low staying-on rate is partly a consequence of schools' failure to motivate children during the compulsory years of education. But it also reflects the type of education available for 16 to 18 year-olds. At present, a sharp distinction is drawn between a minority of academic students, who are encouraged to stay on and study for Advanced level examinations (A levels), and the non-academic majority, who are expected to leave school and either take a job or seek a place on the Government's Youth Training Scheme.

The present system serves the interests of neither group. Numerous reports, including a recent compendious study compiled by management consultants for the Training Agency, attest to the shortcomings of UK vocational training. The depressing reality is that few YTS trainees gain vocational qualifications above the most basic level and that only about a third of 16 to 18 year-olds receive any kind of part-time vocational training.

The problem is not just a shortage of training, but the type of training provided. Vocational training in the UK tends to be exceptionally narrow in scope. The aim of most courses is competence in executing particular

A levels are explicitly élitist. They were designed for the top 20 to 25 per cent of the ability range

skills; little in the way of a general technical education is provided. In most competitor countries, by contrast, 16 to 18 year-olds receive a broadly-based vocational training and are expected to continue their academic studies in core subjects such as maths and their native language.

"The British approach," wrote the National Institute for Economic and Social Research in a recent study, "may serve to raise skills in defined tasks, but does little to promote the flexibility and all-important diagnostic skills that the workforce of the future seems likely to require — and on which the French and the Germans have focused."

But the shortcomings of academic education are equally severe. A levels, which date from the early 1950s, are explicitly élitist. They were designed for the top 20 to 25 per cent of the ability range, on the assumption that the bulk of pupils would abandon academic study at the age of 16. The failure rate even among motivated middle class children is high, with 25 per cent of papers ungraded; only 14 per cent of school leavers achieve passes in two or more subjects.

The size and difficulty of syllabuses prevent the great majority of students tackling more than three subjects. But this involves a degree of specialisation which would be regarded as absurd in most other countries.

Schools used to encourage pupils to choose either a combination of science subjects, such as maths, physics and chemistry, or a group of related arts subjects, such as English, French and history. This created the "two cultures" which the novelist and scientist C.P. Snow so eloquently attacked: inarticulate scientists who could not write decent prose and innumerate arts specialists with a very limited grasp of science and technology. The divide was as much sexual as cultural because girls disproportionately opted for arts subjects.

More recently, the rise in popularity of economics and business studies has broken the rigid arts/science divide. Mixed combinations of A levels, such as English, biology and economics, are now as common as the traditional ones of maths and two sciences. But although such mixed courses offer variety, they cannot be said to provide a properly balanced curriculum. No random combination of three subjects can achieve this.

The contrast between English sixth-form studies (five subjects have long been obligatory in Scotland) and practice elsewhere is stark. The French Baccalauréat, the West German Abitur, the US high school diploma and the Japanese upper secondary school curriculum all require pupils to demonstrate competence in a range of subjects. Maths, science, languages and social studies are regarded as obligatory in most developed countries.

It would be wrong to say the Government is doing nothing to improve education and training for 16-18 year-olds. On the academic front, ministers are seeking a broadening of the curriculum through the introduction of Advanced Supplementary exams. An AS level is intended to be as demanding as an A level, but to take only half as long to complete. The hope is that the norm of three A levels will increasingly be replaced by two A and two AS levels, with at least one of the AS courses providing a contrast to the main subject choices.

On the training side, Mr Norman Fowler, the Employment Secretary, hopes that clear targets for vocational achievement coupled with a shift in responsibility for vocational training from government agencies to employer-led Training and Enterprise Councils will greatly improve the quantity and quality of training. The aim is to create a "training market" in which colleges of further education and private suppliers of training compete to meet the needs of industry — and perhaps individuals, if the Government follows the Confederation of British Industry's advice and gives youngsters purchasing power in the form of training vouchers or credits.

AS levels and training vouchers may help widen opportunities. But if internationally-competitive levels of education and training are to be achieved, the Government must adopt a much more radical approach. The overriding priority should be to raise the lamentably low school staying-on rate by creating a unified curriculum which meets the needs of the majority of 16 to 18 year-olds.

Reformers could learn a good deal from the curriculum plans of Mrs Valerie Bragg, the Principal of Kingshurst City Technology College in Solihull, near Birmingham. She recently surprised Department of Education officials by declaring that Kingshurst would only offer A levels in exceptional circumstances. Mrs Bragg wants to offer a sixth-form programme providing parity of esteem for pupils of all abilities and inclinations. In the process, she hopes to achieve a staying-on rate of 80 per cent — double the national average.

Her plan is for all sixth-formers to follow a common programme in core skills leading to the award of a Kingshurst school-leaving diploma. Courses will be broken down into modules or credits, which will also count towards the requirements of external examinations. The majority of students will gain BTec qualifications in vocational subjects. But a minority of academic pupils will prepare for the International Baccalaureate (IB) exam, which offers a balanced curriculum of six subjects as well as an introductory course in philosophy.

Mrs Bragg's plans may strike educational traditionalists as heretical. A levels are regarded in many quarters — not least Downing Street — as a crucial guarantor of high standards. The Government, only last year, flatly rejected detailed proposals for a broader sixth-form curriculum put forward by a committee headed by Professor Gordon Higginson of Southampton University.

There is also considerable resistance to the idea of school-based technical education. Qualifications of the sort offered by BTec are often snootily rejected by teachers with an academic background. Vocational training, runs the argument, should be organised and supplied by industry.

But Mrs Bragg is surely right to reject A levels. These relics from the 1950s act as a barrier to educational opportunity for the majority of 16 year-olds, without meeting the needs of the most able. The AS exam has not materially altered the appeal of the traditional sixth-form. It is pitched at the same level of difficulty as the A level and is therefore just as élitist. Nor does it seem likely to reduce premature specialisation significantly. Students are tending to offer AS levels in complementary rather than contrasting subjects.

For bright sixth-formers, the International Baccalaureate offers a far more rounded education than A and AS levels. Students have to take six subjects, including maths, English, science, a foreign language, and a social science. They also have to submit an extended essay, follow a course in the Theory of Knowledge and engage in prescribed extra-curricular activities. Such a programme is likely to provide a much better preparation for life and work than two or three arbitrarily chosen A levels.

The modular approach favoured by Kingshurst — and many progressive educationalists — also has great attractions. Two year courses, such as A levels, offer minimal flexibility. Pupils who find they have made the wrong choice have nothing to show for their efforts. But if courses are broken into manageable chunks, pupils need not decide what kind of qualifications they are aiming for until well into their sixth-form studies. Modules facilitate the creation of balanced courses, consisting of a mixture of science, arts and vocational subjects. They also allow students to take breaks from study, perhaps for work experience, without losing credit for unfinished courses.

The Government appears to believe that the UK should not seek to offer much in the way of school-based vocational education but instead strive to emulate the West German dual model. Most non-academic teenagers should thus leave school at 16, get jobs and receive training as day-release students at local colleges of further education. This may be a sensible route for some youngsters: around 200,000 people follow BTec vocational courses at colleges or on employers' premises.

But as the National Institute and others have demonstrated, the training shortfall in the UK is extremely large. And the employers' record in promoting broadly-based vocational education is chronically poor. It would be foolish, therefore, to look solely in this direction for salvation in the 1990s. A much larger proportion of 16 to 18 year-olds should be encouraged to stay in full-time education and combine vocational training with the study of core academic subjects such as maths. This kind of education flourishes in countries as diverse as France and Japan.

The UK has consistently failed to educate the bulk of its population to levels taken for granted overseas. The consequence has been relative economic decline and social disharmony. The Government's proposed dichotomy of A and AS levels for a minority of academic pupils and narrow industrial skills-training for the rest will do little to enhance Britain's future competitiveness.

The UK has consistently failed to educate the bulk of its population to levels taken for granted overseas

If the UK wants to succeed in the 21st century, a dramatic increase in the staying-on rate will be needed. It is unlikely to occur unless ministers accept the case for a radical overhaul of the sixth-form curriculum. The UK needs to move to a position where the great majority of young people study maths, English and science until the age of 18. Such a core of essential studies should be surrounded by a flexible range of academic and vocational options designed to meet the needs of the average rather than the exceptional pupil. Educational élitism has blighted Britain's past; it should not be allowed to compromise its future.

A previous article on vocational training appeared on November 21

OBSERVER

Opec drowns in numbers

■ There was a time when Opec meetings used to terrify the major oil-consuming countries. No longer: they have become more like assemblies of medieval scholastics.

The session in Vienna this week is a case in point. Ministers are quarrelling about numbers with no real meaning and little relationship to the oil market. Before the meeting, Saudi Arabia passed a domestic decree that its current share of Opec official production (24.46 per cent) could not be changed.

To make the numbers come out right, Venezuela was asked to cut its official quota by 73,000 barrels a day, but to continue to produce the oil on the sly. The Venezuelans protested. Libya wants a bigger share — 6.3 per cent share of Opec output rather than its current 5.6 per cent, even though it lacks the capacity to produce it. Much the same goes for Algeria.

Both Nigeria and Venezuela have spare capacity and appear willing to reduce their market share in order to achieve an Opec solution. But they will do so only if others, some of whom cannot even fulfil their present quotas, do the same. Only Indonesia admits that it cannot produce more and is willing to let other countries raise their share.

Opec's official production ceiling has been set at around 22m b/d for early 1990. Yet it has been years since an Opec ceiling had much relationship to actual output, and the two are currently at variance by about 3m b/d.

The organisation lives on largely as an expression of nationalism. Thus ministers are spending a week of the Vienna winter fighting over numbers that they must know will have little relevance to how much oil is produced next year.

Odd to think that in the mid-1970s many people believed that Opec would become the most powerful cartel in the world.

Slow Times

■ The appearance of Hans-Dietrich Genscher, the West German Foreign Minister, at the Royal Institute of International Affairs (Chatham House) yesterday was arranged at short notice and cancelled at even *shorter*. *The Chatham House* card says that if meetings are cancelled, a notice will be inserted in the Personal Column of The Times on the previous day. In Genscher's case, there was just about time to do that, but The Times said it needed 48 hours' notice, so nothing appeared.

Grant's luck

■ Was Argyll, the supermarket chain, trying to send out a subliminal message with its results yesterday? Included in the press pack with the figures was Focus, the group's magazine, which features a prominent horoscope section. Naturally, one looked to see what was foretold for Alistair Grant, the group's Piscean chairman.

"Finance — your lack of it — will be your main preoccupation during the coming months," the astrologer ominously states. "This is nothing new for you as your philosophy of 'see it, buy it' is after all your guiding principle," the horoscope continues. Argyll paid £681m for the UK arm of Safeway in 1987.

There may be some better news for investors in the final two sentences. Grant, who revealed a 34 per cent increase in interim pre-tax profits yesterday, is told by the astrologer "Crunch time is finally here, however. You now have to buckle down to some serious earning."

"But would Sir Anthony Meyer be the right PM for a recession?"

Long shot

■ TSB Trustcard has written to a colleague in the South Kensington area of London offering all the flexibility of a new type of high-interest-bearing current account. The flexibility is so great that the bank suggests calling in to check out the new offer at a convenient branch — the one at Long Sutton, Spalding, Lincolnshire.

Bonn stays

■ Here is one indication that West Germany is not rushing into reunification with the east. The country is going ahead with the completion of new parliament buildings in Bonn — once regarded as the temporary capital until it might be possible to return to Berlin.

A new plenary hall for the Bundestag has been been under construction for the last two years. Rita Süssmuth, the Bundestag Speaker, *said* yesterday that she had considered stopping the work once events in East Germany began to develop so quickly, but had decided that it should go ahead.

Out of joint

■ Bill Foggitt, the Thirsk weatherman, says that the cold snap which sent temperatures plummeting this week is a classic feature for November. The sharpness of the frost is crucial in weather lore: "If November ice will bear a duck, most of winter will be slush and muck."

The ducks in Thirsk have been skating all week, which would suggest another winter like the last two. Foggitt has reservations, however. "I can't see us having a third successive mild winter," he says.

Thirsk is six inches down on its annual rainfall and Foggitt has noticed that the weather has a tendency to balance out over the year. This would point to a lot of rain, sleet and snow between now and January, although the records do not favour the idea of a white Christmas.

Foggitt blames this on the introduction of the Gregorian calendar in 1752 which removed the days between September 2 and September 14 from the calendar that year. Rioters in Britain, fearing their lives had been shortened as a result, demanded "give us back our 11 days."

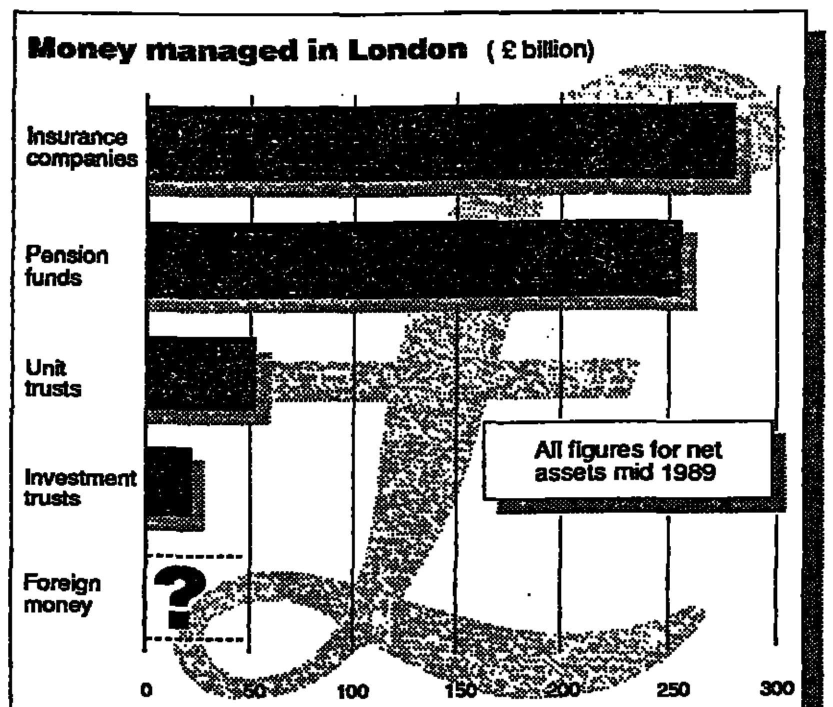
The change meant that Christmas was brought forward to the start of winter and white ones became sporadic from then onwards.

Dog's life

■ Sign in a West Yorkshire fish and chip shop: "Missing, grey and black mongrel, one eye, walks with a limp, recently castrated. His name is Lucky."

Barry Riley on the acquisitions of fund management businesses by other groups

Courted by many suitors



Source: UBS Phillips & Drew estimates

Fund managers are suddenly in fashion. Investment management companies were once the Cinderella businesses of the City of London, dominated and bullied by merchant banks and stockbrokers. But now they are the beauties of the financial services ball.

And last week the formerly downtrodden portfolio men started to flex their muscles by setting up their very own trade group, the Institutional Fund Managers' Association (IFMA). Its formation, according to its first chairman, Charles Nunneley of Robert Fleming, reflects increasing concern at the lack of a collective voice.

The biggest specialist, Mercury Asset Management, with portfolios of £32bn under its control, is valued at over £400m by the stock market, and accounts for more than a third of the value of its parent, the merchant banking and securities group S.G. Warburg.

In all, UK institutions look after funds of probably near £600bn, and in addition there is an important, but unmeasurable, element of management of foreign-owned funds.

In a series of deals over the past year, British fund managers have been snapped up by Continental financial groups keen to acquire a slice of London's global management skills, partly in pursuit of 1992 strategies. Dresdner Bank, for instance, has bought Thornton, the unit trust group, Société Générale has acquired Touche Remnant and Bank in Liechtenstein has taken over GT Management.

Now Gartmore Investment Management, with £6.4bn under management, has been put up for sale by its parent British & Commonwealth Holdings. Some £130m is expected to be asked.

Elsewhere, the takeover approach by Banque Indosuez to Morgan Grenfell and now the agreed bid by Deutsche Bank for it must have quite a lot to do with the merchant bank's fund management activities. It manages £11bn and has a prominent role in managing global portfolios for US pension funds.

But such changes of control need to be handled very carefully. "A hostile attack on a fund management business is very dangerous," says Ben Reay, vice-chairman of Henderson Administration, the leading remaining quoted independent.

The regulatory changes in the UK during the past five years have transformed the fund management business, in two main respects. One has stemmed from the substantial improvement in their bargaining power following the "Big Bang" stock market reforms of 1986. Commissions have fallen sharply on UK stocks.

Separately, the development of fund management as an independent activity has also been encouraged by the implementation of the Financial Services Act. Previously investment management had often been dominated by merchant banks and stockbrokers which ran this business in parallel with capital market and broking operations. But the conflicts of interest had been generating increasing concern, and the new regulations have encouraged the separation into distinct business units, though not necessarily with distinct ownership.

All the same, fund managers have often been uncomfortable with the new regulatory environment. According to Mr Nunneley, they felt "seriously deprived" by the lack of a distinctive voice when the FSA was being drafted.

Yet profits in fund management have recently begun to grow again, after the post-crash setbacks. Mercury Asset Management has recently announced a jump in half-time pre-tax profits from £19.2m to £28.3m. Henderson, with a heavy recovery element, rose from £4.3m to £10.7m for the same half-year.

But how will the entry of new foreign owners affect the business? When takeovers generate uncertainty, managers are forced to move quickly and make urgent calls to try to reassure clients of the continuity of the service they offer.

It may not be a coincidence that the Gartmore announcement has been made after the end of the annual round of pension fund "beauty parades" at which managers compete for new clients. According to Paul Haines, investment director at the pension fund consultancy Noble Lowndes, the first response to any mooted ownership change will be to take the company concerned off the recommended short lists. New pension fund business will therefore dry up.

There will be a similar effect in unit trusts and other retail investment products, where investment advisers are bound to be reluctant to recommend Gartmore or Morgan Grenfell funds while their ownership is changing.

An important short-term concern of intermediaries is that the executives of the affected management companies may be paying more attention to their share options and their employment contracts than to the day-to-day needs of their clients. "The difficult aspect is that management attention may be distracted from the investment side of the business," as Mr Haines puts it.

Nevertheless it is possible for takeovers to be smoothly handled. Phillips & Drew Fund Management, now the second largest manager of UK pension funds, has gone from strength to strength since being taken over by Union Bank of Switzerland. However, it has been given management independence, and another advantage of PDFM is that it has been focused on the institutional end of the fund management business, not at the retail end.

It is noticeable in this respect that Robin Binks, the S.G. Warburg corporate finance executive who is selling Gartmore for British & Commonwealth, chooses to emphasise the virtues of the pension fund business, rather than the unit trust side, which is thought to have been suffering net redemptions. "The relative attractions of pension fund management have increased in the UK," he claims, giving a hint of what is presumably his sales pitch to prospective buyers.

There is now a developing squeeze on independent fund management groups which are attempting to reach the retail market in the UK. One of the further effects of the Financial Services Act has been to introduce so-called polarisation of the distribution network, so that the big chains of High Street banks, building societies and estate agents are no longer permitted to sell in-house unit trusts and life assurance plans alongside independent brands. National Westminster Bank is the only important High Street exception.

Fund managers seeking to reach retail clients are therefore normally restricted to selling through independent advisers, principally the 8,500 member firms of Fimbra, the Financial Intermediaries, Managers and Brokers Regulatory Association. They can set up their own sales teams, but this is regarded as uneconomic in most cases. Similarly, selling "off the page" through newspaper advertisements or through direct mail shots has become unrewarding since public sentiment was undermined by the 1987 stock market crash.

The polarisation rules provide an important explanation of why so many of the takeover bids are coming from abroad. British financial groups with retail outlets or sales forces already have their own in-house fund management operations, and are not allowed to sell another brand alongside. So they have little reason to make big offers for groups like Prolific or Gartmore.

It could therefore be viewed as somewhat paradoxical that so much money is being splashed out by Continental banks to gain niches in the British retail investment industry, and to pursue post-1992 strategies by marketing London's global investment management skills elsewhere in Europe.

Should the buyers beware? The Continental banks which leapt into the London securities market three or four years ago by purchasing broking firms are now often licking their wounds. Given the scope for clashes of culture between London fund managers and their new European bosses it would not be surprising if more blood were to be spilt in years to come. The chairman of Bank in Liechtenstein, new owner of GT Management, was dismissed on Monday in an insider trading scandal. Elsewhere the crisis at the French-owned London fund management company Dumenil — which has suspended dealings in its 11 unit trusts pending an investigation into administrative irregularities — has provided a topical reminder of the potential for management problems in this volatile industry.

But there is still a bull market for fund managers, even though Gartmore may provide a test for its durability.

Japan's financial markets

Needed: bolder steps towards freer access

By David Mulford

Six years of yen-dollar talks between the US Treasury and the Japanese Ministry of Finance have produced a long and impressive record of accomplishments. None the less, a realistic assessment after the latest round of talks must conclude that the fundamental problems of over-regulation in Japan and access to the Japanese market by foreign financial institutions are a long way from resolution.

The two sides originally aimed to internationalise the yen and to open up and "democratise" Japan's financial markets. It was believed that this would contribute to a stronger international financial system. With the focus now on correcting current account imbalances, these objectives have become even more important.

When negotiations began, the Japanese capital markets were heavily regulated. Interest rates were largely fixed; short-term money markets were in their infancy; there was little access for foreigners to the domestic government bond market. Nor were there any foreign members of the Tokyo stock exchange or foreign trust banks. The Euroyen market was embryonic.

Today, about half of all bank deposits have been deregulated and largely reflect market interest rates. The Bank of Japan has taken an important step toward liberalising the money market. New short-term money market instruments have been introduced. A partial auction system in the government bond market has reduced the role of the traditional Japanese syndicate. Foreign firms have been admitted to the Tokyo stock exchange and entered the trust banking business. In the Euro-markets, the volume of yen offerings has grown 17-fold.

The Ministry of Finance is to be commended on this progress, but Japanese officials who suggest that the financial liberalisation process in Japan is largely complete are wrong. The standard of judgment must be not the relative one of how many changes have been made in the old system, but the absolute one of how close Japan is to a truly market-based financial system — one that operates on the same principles of efficiency, transparency, objectivity and competition which distinguish other great financial centres.

The reforms so far are a start, but they have not changed substantially the way financial market business is conducted in Japan. Basic deregulation, sweeping change, or bold challenges to the way the existing system benefits traditional Japanese financial institutions are hard to find.

The reforms adopted in Japan can be viewed more clearly when seen against the pace of liberalisation in the rest of the world. New York and London have become increasingly efficient and sophisticated financial markets. Japan lags behind.

Full deregulation is what is needed. For example, the remaining interest rate restrictions should be removed. This would greatly reduce the cost-of-capital advantage Japanese banks enjoy over foreign financial institutions. Moreover, competitive rates would add about 1 per cent of Japanese GNP to the personal income of depositors, thereby increasing consumption and imports.

Japanese officials who suggest that the liberalisation process is largely complete are wrong

Slow progress in the Japanese money markets has also been disappointing. Reforms have not produced a full range of short-term money market instruments unencumbered by artificial barriers, nuisance taxes and other regulatory intervention. Furthermore, the absence of an efficient, liquid money market in Japan has discouraged greater use of the yen internationally. Despite the progress made in the Euroyen bond market, the yen still commands little interest as an international currency. Ninety per cent of Japan's imports and 65 per cent of its exports are still denominated in non-yen currencies.

The chief brakes on further progress are the laws, regulations, and practices which prohibit Japanese investors from gaining access to foreign markets and impede the entry of innovative foreign products and services to the Japanese market. This is regrettable, because it is innovation that makes capital markets dynamic and efficient. For example, the Chicago Mercantile Exchange has been delayed in obtaining Japanese approval for its Globex electronic trading system.

It is particularly disheartening to see foreign banks and securities firms blocked from offering internationally proven services and products in Japan. In the growing market for pension funds and mutual fund management, foreign firms are severely limited in their ability to provide services in which they have established and respected positions.

Formal legal frameworks apart, foreign firms are also frustrated by opaque informal practices. It is to the benefit of all Japanese financial market players that decisions be made in a transparent way.

Taken together, these statutory restrictions and regulatory practices continue be a firm barrier to full access for foreign firms to the Japanese financial services industry. The situation invites Congressional action and risks exhausting the US Treasury's patience with the slow evolution of the past six years.

Open and efficient financial markets are central to an effective international monetary system, to world economic growth and to the adjustment of the world's large external imbalances. The failure by Japan to provide full access to its markets is particularly serious given Japan's current financial and economic position in the world. The US calls on its Japanese friends to accelerate their deregulation efforts in 1990 and to resolve the remaining issues fundamental to real reform.

The author is Under Secretary for International Affairs in the US Treasury.

LETTERS

Facing east

From Mr Richard Lucas.

Sir, The idea that East Germany benefits from soft currency ("soft Mark?") outflows as a form of monetary contraction (Letters, November 24) is wrong. It does not reduce the GDR's money supply – the only use for "soft Marks" is to spend them in the GDR.

Many tourists smuggle them in to cheapen their visits. Allied servicemen from the British, American and French sectors in West Berlin can visit the Soviet Zone (East Berlin) without customs control, which enables them to enjoy very cheap visits without risk of East German intervention. Any "soft Mark" outflow returns in the wallets of high-spending westerners – thus exacerbating eastern queues and shortages and, as we have heard, creating the need for yet more rationing.

Depreciation and free convertibility (rational foreign exchange pricing) are sensible only if price reform (rational internal pricing) is introduced as well. Economic integration with western Europe is highly undesirable if the pricing structure "over there" does not reflect the costs of production. Not only would it encourage yet more value subtracted activity in eastern Europe, but it would also threaten the business survival of healthy western European industries.

Those of us trying to help the reform process in eastern Europe have a responsibility to recognise that the economic problems of moving towards integration are far more serious than can be solved by piecemeal reforms leaving the structure intact.

Further, we must recognise that the costs, to the peoples of eastern Europe, will be very hard to bear. It will be expensive and difficult to provide them with the help that they need – but much more so not to do so. We shall benefit from thriving market economies in eastern Europe, but suffer serious negative externalities if we allow the current economic sickness to continue in countries genuinely prepared to reform.

Richard Lucas,
Cambridge Economic Consultants,
62-64 Hills Road,
Cambridge

The DTI and Barlow Clowes

From Mr James R.B. Hinton.

Sir, Sir Anthony Barrowclough's draft report on his enquiry into the Department of Trade and Industry's role in the Barlow Clowes affair is now being studied by the DTI, which has been asked to confirm the facts therein before the report is published.

Barlow Clowes's victims remember that the Le Quesne report was with the DTI for some six weeks before the Government delivered its biased, unjust and undemocratic interpretation – that the DTI behaved reasonably, and that the victims should not be compensated.

The general view is that the Ombudsman's report will be critical of the DTI, and will recommend compensation.

If this proves to be the case, let us hope that your paper will give its full support to the Ombudsman's recommendations – and press the UK Government for a speedy and honourable response.

James Hinton,
Barlow Clowes Investors Group,
South West Region,
7 Miz Maze, Leigh,
Sherborne, Dorset

'If there is a fallacy here I think we should be told'

From Mr George Chowdharay-Best.

Sir, It is surely true, as Mr J. Rowden writes (Letters, November 23), that "only healthy economic growth can provide the wealth needed to promote environmental improvement."

But is it really true that measures to promote environmental improvement are not (as seems to be widely assumed) growth-producing?

For example, if a caustic soda producing plant is polluting a stream because of the leakage of mercury which it uses as a catalyst, reduction in the leakage of mercury will not only reduce pollution – so improving fish production – but is also likely to lead, in the long run, to cheaper caustic soda production because of reduced wastage of the catalyst.

Similarly, if catalytic converters have to be fitted to all new cars as a means of reducing the output of noxious gases in our streets, that is likely to lead to profits and increased employment for those who manufacture such converters – as well as better health for those who have to walk in the streets and, hence, to greater productivity by those persons.

Maybe there is a fallacy here somewhere, but I think we should be told what it is.

G. Chowdharay-Best,
27 Walpole Street, SW3

Of sound mind at 16

From Mr Paul Donovan

Sir, In your editorial on UK school sixth forms (November 23) you propose again a number of "core" compulsory subjects.

I should like to point out that at 16 I am considered mature enough to decide if I wish to be educated, join the army, leave home, or find a job. Your article suggests that I cannot decide whether to spend two years studying maths, or judge my own abilities with any degree of competence.

The problem seems to me to be a question of attitude. You have described 16-18-year-olds as "pupils;" a more accurate description would be students. At the age of 16 students are becoming career-minded, and choose their education accordingly.

I appreciate your argument for more AS levels, but the concept of compulsory subjects beyond the age of 16 is not acceptable.

I suggest that you consider the view of sixth form students before deciding what is best for them; my college did so, with excellent results.

Paul Donovan,
Ridge Cottage,
Links Way,
Bookham,
Leatherhead,
Surrey

If intended for publication, Letters to the Editor should include, where possible, a daytime telephone number. They may be faxed either to 01-407 5700 or 01-873 3076 at the Financial Times headquarters in London.

A shift to thrift

From Mr Jack Brown.

Sir, It is perplexing that in the UK economic debate there is so little focus on the personal sector savings ratio. To raise the underlying rate of growth there must be, in addition to greater risk-taking activity (via lower corporate and income taxes), a higher average rate of investment.

The principal way this can occur is if the personal sector consistently saves a higher proportion of its income, thereby indirectly increasing the amount of borrowing that the corporate sector can undertake while maintaining balance of payments equilibrium.

Reasons for a low savings/investment ratio lie not in cultural characteristics but in fiscal incentives. In particular, the combination of mortgage interest tax relief, no capital gains tax on profits from property sales, and taxation on savings/investment income, engenders a low savings ratio.

Mortgage tax relief simply raises the real rate of borrowing to the corporate sector without palpably benefiting mortgage payers. No capital gains tax on the profits from house price appreciation makes sustained borrowing (high average mortgage) the best way of boosting one's net asset base in the long-run.

The UK economy will only be transformed when deferred consumption (savings) becomes the most attractive means of boosting one's asset-based wealth, *à la* Japan. This could be achieved by imposing a capital gains tax on property profits while making savings income tax-free – ensuring that the bulk of funds saved were indeed redirected to the corporate sector.

Jack Brown,
26 Wragby Road,
Leytonstone, E11

Autumn Statement

From Mr A.T. O'Donnell.

Sir, Mr Henry Neuburger claims (Letters, November 24) that the Treasury diagram in the Autumn Statement showing capacity utilisation and the non-oil trade deficit is wrong.

The diagram is, in fact, correct.

Gus O'Donnell,
Press Secretary, HM Treasury,
Parliament Street, SW1

FINANCIAL TIMES
Wednesday November 29 1989

A Taiwanese parliamentary candidate addresses angry investors outside the stock exchange yesterday

Taiwan shares tumble ahead of elections

By John Elliott in Taipei

TAIWAN'S turbulent stock market yesterday suffered its biggest fall ever when prices plunged by 5.7 per cent, just four days before the country's first politically significant elections take place on Saturday.

About 1,000 angry speculators demonstrated outside the offices of the ruling Kuomintang (KMT) party after the Taipei weighted index fell 547.98 points to 9,040.09. The drop might have been much larger but for a fixed maximum limit of 7 per cent, recently raised from 5 per cent, in the permissible movement of any share during a single day's trading.

The day's sell-off was politically significant for the government because at least 30 per cent of Taiwan's 12m voters are estimated by brokers to speculate in the casino-style market. A large number of people involved in illegal margin trading were badly caught.

Both foreign and local brokers suggested last night that the market had been manipulated for political reasons through a spate of rumours. There were unfounded suggestions that two major market players were about to default.

The plunge followed several weeks of falling prices, with the index dropping by about 9 per cent since the beginning of the month. This has been bad news for the government which earlier this month published a controversial election advertisement that talked enticingly about the economy in terms of "lots of profits and a long bull run."

This was seen as a KMT promise that it would keep the market buoyant. Brokers assume that with the election only days away, speculators were frightened by the rumours and decided yesterday to move out.

"The KMT tried to interfere with the market so it is not surprising that people are selling after several weeks' decline – with the prospect of bigger falls after the election," Mr Tsai Shih-Yuan, the Democratic Progress Party (DPP) deputy secretary general, said last night.

Another popular theory was that powerful investors, who dominate and manipulate the market, were trying to scare the government while it is feeling electorally vulnerable into announcing a low share transaction tax before the polls.

The government has been planning to revamp this tax, and cancel a one year-old capital gains tax, to take the heat out of the market. But this is not a popular move and a taxation level suggested of 1.5 per cent, in place of a current 0.15 per cent transaction levy, caused an uproar.

A figure between 0.5 and 0.75 per cent would probably be politically popular and might be considered by the KMT's main policy committee today in advance of a cabinet meeting tomorrow.

Saturday's elections are the first since martial law was lifted two years ago. There is no chance of the Kuomintang falling but the voting – for national, regional and local elections – is the first-ever real test of strength between the KMT and the DPP.

EC agrees to set up watchdog agency for environment

By Tim Dickson in Brussels

THE twelve member-states of the European Community last night agreed on the scope and authority of a new environmental agency.

The proposal to set up an independent body to collect and disseminate reliable and objective environmental data has excited keen interest inside and outside the EC in recent months as "green" issues have risen to the top of the political agenda.

In spite of its relatively limited initial remit and a clear understanding that it will have no powers of enforcement, the creation of a European Environment Agency is seen as an important step in the development of a more coherent and effective EC policy.

The information which it provides is expected to assist the European Commission in its efforts to draw up realistic and scientifically based proposals, while the provision of comparative data will reinforce Brussels' efforts to make its existing legislation stick.

Many in the Commission – including Mr Carlo Ripa di Meana, the EC's Environment Commissioner – would ultimately like the agency to have a more interventionist role such as that enjoyed by the powerful US Environmental Agency.

EC environment ministers, who are all bidding for the prestige of providing the headquarters of the agency, spent much of yesterday at their meeting in Brussels trying to sort out voting procedures for its new management board.

Mr Chris Patten, UK Environment Secretary, said last night that Cambridge would be the UK's candidate for the agency headquarters.

There is much speculation, however, that Berlin may be chosen as a symbol of the new detente between East and West.

The agency idea – to which Mr Jacques Delors, Commission president, is understood to have been converted as a result of the varying radiation limits imposed by member states in the wake of the Chernobyl disaster – has been promoted strongly by the French Government during its six-month presidency of the EC.

Kohl outlines unity vision

Continued from Page 1

gramme could not be implemented "with calendar in hand". However, he proposed the establishment as soon as possible after free elections in East Germany of a joint government committee for permanent consultation and "adjustment" of policies. He also envisaged a joint parliamentary committee.

The "confederative structures", initially at least, seem to fall short of a pooling of sovereignty, and would not therefore affect each German state's membership of military alliances.

However, Mr Kohl said: "As soon as a democratically elected government is our partner entirely new perspectives open up. Step by step, new forms of institutional co-operation could be developed. Such a growing together reflects the continuity of German history.

Privately, some of Mr Kohl's advisers talk of encouraging the re-establishment of the old pattern of federal states within East Germany.

Mr Kohl stressed that Germany would remain embedded in the process of European unity and used Mr Gorbachev's phrase of the "common European house."

Reform sweeps Czechoslovakia

Continued from Page 1

associated parties and Civic Forum circles.

It is unclear if Mr Adamec will wish or will be able to remain as Prime Minister. A likely candidate as his replacement is Professor Valtr Komarek, director of the Prognostik economic institute who, although a Communist Party member, has thrown in his lot with the opposition.

The Communist Party, now only formally in charge, is already splitting. A "Democratic Forum of Communists" appeared yesterday under the umbrella opposition grouping, with a programme of forming a Western-style social democratic party.

The leaders of Communist Party branches from across the country met in Prague yesterday to add their voices to calls for the end of the party's leading role and replacement of its entire Central Committee.

THE LEX COLUMN

AMP drags Pearl down under

The speed with which AMP has stormed Pearl's ramparts with an offer of less than £7 per share is a tribute to more than just institutional short-termism. Pearl and its advisers, Kleinwort Benson, showed astonishing complacency in relying on their last-minute actuarial valuation of Pearl at £7.65. On this showing, it is hard to see that the UK's insurers deserve the protection which some of them have been seeking in vain from Westminster.

That said, AMP's task is far from easy. It could help pay down its own debt with some financial engineering: Pearl's notably inefficient non-life insurance portfolio is of dubious value to AMP, but could be saleable to someone else. Even without a buyer, there is at least £65m of excess shareholders' capital which AMP could strip out after tax.

But in the long run, AMP's investment will make little sense for its own Australian policyholders unless it solves the chronic problem of door-to-door life insurers like Pearl: the mediocre productivity of their field staff. But this is an uphill job even for Prudential, which knows the market inside out; the omens do not look good for AMP, with its meagre UK experience.

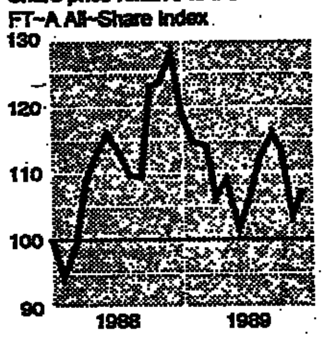
In a sense this is now no longer the stock market's business; though the City should note that since there are 31 investment trusts in which Pearl has a stake of 5 per cent or more, any AMP-inspired change of policy might have wide reverberations in that sector. For the moment, the most pressing question is which life company will be next to go to a foreigner. With close to 10 per cent of its shares now owned by the French Pechelbronn/Athena group, Refuge is the obvious choice. A successful bid for Refuge could, however, also unravel the cross-shareholdings which defend Britannic, London & Manchester and even the mighty Pru itself.

Rover

Yesterday's 3 per cent rise in British Aerospace shares was a classically pragmatic response to further evidence on how far the Government blundered on the Rover deal. The National Audit Office report is blunt on the uncommercial nature of the Government's objectives: to get rid of Rover within the present Parliament and – above all – to ensure that the taxpayer would be free of any future liability, whatever the cost. A private sector company selling a business of uncertain value would normally seek to insure itself against mispricing, either by retaining an equity stake or by an earn-out arrangement. But while yesterday's report argues that some kind of clawback should be applied to such deals in future, BAe appears to be in the clear.

Allied Lyons

Share price relative to the FT-A All-Share index



From the viewpoint of the taxpayer – as opposed to the BAe shareholder – the report makes melancholy reading. Barings, advising the Government, suggested that Rover should be given to BAe at a net cost to the taxpayer of £250m. The Government's actual opening bid was minus £500m, which BAe haggled up to £650m. The European Commission knocked that back to minus £422m and the deal was done. On the evidence of true asset value given by the Audit Office, one can only admire the panache of BAe's management. Terms to describe the Government's commercial grasp are harder to come by.

Argyll

Perhaps the food retailing sector should have absorbed more carefully the lessons learnt by its cousin, the stores sector. The supermarket chains have spent much time and money on increasing their outlets and revamping their shops just as other retailers did in the mid-1980s. That expansion has proved a millstone for many non-food retailers in the current consumer downturn; it may yet come back to haunt the supermarkets. Volume growth on a like-for-like basis was minimal at J Sainsbury in the first half; it was zero at Argyll.

Of course, demand is much more reliable for Argyll than for such as Magnet. But there is always the possibility that people may trade down – from Camembert to cheddar – if household budgets are squeezed. In the circumstances, the decision by Argyll not to convert some of its smaller stores from Presto to Safeway looks all the more sensible. Such extra spending would be unlikely to earn a decent return.

Argyll has now incurred the bulk of its conversion costs and should be comparatively well placed in any downturn, not too far behind Tesco and Sainsbury in the pecking order. The combination of lower exceptional costs and margin improvement at previously revamped new stores should provided a profits cushion in any recession. Pre-tax profit forecasts of £230m for the full year put the shares on a prospective p/e of 12. That is a two-point discount to Sainsbury: but then, it takes a long time in this sector for reputations to be established.

Allied-Lyons

The market's view of Allied-Lyons may be a little grudging at present. The worry is less to do with the immediate earnings outlook – growth at the halfway stage is still in double figures – than with lack of clarity about the company's objectives. Granted, it is discouraging to hear that the policy on brewing has yet to be formulated and that some businesses under review may or may not be sold. It is also unsettling to hear that the company is joining in the £550m-plus auction for Whitbread's spirits business at the same time as bidding for Dunkin' Donuts in the US.

But the fact remains that Allied has a reasonably strong portfolio of pubs and beer brands, a growing UK/European food business and a good middleweight position in international drinks, backed by an alliance with Suntory in the fashionable Far Eastern market. At 467p the shares are on about 10 times earnings, a little above Bass and Grand Metropolitan: but while Allied is duller than either at present, it may also be safer.

Lowndes Queensway

Lowndes Queensway seems to have set some kind of record: from flotation to penny stock within 15 months. As yesterday's halving of the share price to 5¾p foresaw, yet more finance is now required from the long-suffering backers. Given that the market capitalisation is now equal to the sum raised in September's rights issue, they will need strong stomachs.

Companies in Japan relying on cost cutting

By Stefan Wagstyl in Tokyo

JAPANESE companies rely heavily on cost-cutting, including the increased use of part-time labour, to boost profits, according to a report published yesterday by the Bank of Japan.

Reductions in the cost of raw materials and of corporate funds are also important, says the central bank in a survey which covered the performance of 619 companies in the financial year to the end of March.

Unit labour costs fell 5.4 per cent, due to a 1.4 per cent reduction in regular full-time workers, the third annual decline in a row.

Employers invested heavily in labour-saving equipment and covered labour shortages by using more part-time staff, says the report.

The report says pre-tax profits of the group of companies rose by 27.3 per cent, the highest annual increase since 1980-81.

● Seasonally adjusted figures released yesterday show that industrial output in Japan rose by just 0.3 per cent last month compared to September, suggesting that the economy may be slowing down faster than previously expected.

Shipments fell 1.2 per cent last month and inventories rose by the same amount, according to preliminary figures from the Ministry for International Trade and Industry.

MITI officials said the small increase in output and the fall in shipments were caused by temporary factors. These included a slow down in exporting cars to the US and steel to China.

Japanese code of conduct, Page 6

Aeritalia may seek partnership in Airbus A-321 programme

By Paul Betts in London

AERITALIA, the Italian state-owned aerospace manufacturer, is in advanced negotiations to participate for the first time in an Airbus Industrie programme.

Officials of the Italian company and the four nation European aircraft manufacturing consortium confirmed yesterday that talks were in progress between Airbus and Aeritalia involving participation of the Italian group as a risk sharing partner in the new Airbus A-321 programme.

Aeritalia's participation as an associate member in the A-321 would represent a coup for the European consortium which has been seeking to attract Italian interests in its operations. As an associate member Aeritalia would pay for the non-recurring costs of its involvement in the A-321 project.

Airbus is understood to be discussing subcontracting Aeritalia work on one of the sections of the stretched fuselage of the A-321.

Aeritalia has previously co-operated with Boeing, the US manufacturer, with a risk sharing association in Boeing's current family of 767 twin-engine jets.

However, Aeritalia is also discussing possible risk sharing participation in Boeing's latest civil aircraft programme, the wide body twin engine 767X which Boeing is expected to launch early next year.

It is also discussing risk sharing agreements with Japanese companies including Kawasaki Heavy Industries, Mitsubishi Heavy Industries and Fuji Heavy Industries for the 767X programme.

Aeritalia has a 15 per cent share in the current 767 programme and Boeing would now like to see the Italian group become a partner in its 767X aircraft.

Despite the intense rivalry between Boeing and Airbus, the Italian group could participate in both the Airbus and Boeing programmes because the two projects do not involve competing airframes.

Under existing Airbus arrangements, Airbus partners are not allowed to work for Boeing on competing airframes. The A-321 competes against the Boeing 757 twin-engine narrow body airliner in which Aeritalia has no involvement.

BA and US talks, Page 8

UK to probe plasterboard market

By Andrew Taylor, Construction Correspondent, in London

AN INVESTIGATION by the Monopolies and Mergers Commission into the UK plasterboard market, the subject of a price war also affecting France and West Germany, has been ordered by Sir Gordon Borrie, Director General of Fair Trading, the UK's anti-cartel watchdog.

The plasterboard market is one of Europe's fastest growing in the building materials sector. It is light, easy to use, with good insulating properties which are ideal for the interior walls of homes and offices.

Plasterboard, with sales in the UK recently topping £200m ($312m) a year, has been supplied for more than 20 years almost entirely by BPB Industries, the British manufacturer which is also the largest producer in France, Sweden, Austria and the Netherlands and the second largest in West Germany.

The group was fined Ecu3.15m ($3.56m) by the European Commission last year for allegedly using illicit means to stop imported Spanish plasterboard being sold in the UK.

Yesterday's call for an investigation by the Monopolies and Mergers Commission into the British plasterboard market was triggered by a request by BPB to be released from undertakings given to the UK Monopolies Commission in 1977.

BPB was required to stop cross-subsidising its manufacturing operations by charging a uniform selling price irrespective of individual delivery costs. The Monopolies Commission said cross-subsidising could discourage potential competitors from manufacturing where BPB had no plants.

BPB said yesterday the undertakings rendered it unable to compete on equal terms with companies which had recently started to manufacture plasterboard in the UK.

Mr Brian Rogben, BPB's finance director said: "The group faces increased competition from UK and overseas competitors which have sold imported plasterboard at heavily discounted prices to support their entry into the market."

BPB has appealed to the European Court against the fine imposed by the European Commission, which had alleged that the group had sought to protect its home market against Spanish imports by offering fidelity bonuses to merchants buying exclusively from the group.

WORLD WEATHER

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Tunis	[illegible]
Valencia	[illegible]
Venice	[illegible]
Vienna	[illegible]
Warsaw	[illegible]
Washington	[illegible]
Zurich	[illegible]

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Major reticent on pound

Continued from Page 1

cial markets for the possibility of bad news he said that the recent rise in mortgage borrowing costs would make the "figure disappointing."

After its recent slide, the pound had a uneventful day on foreign exchange markets closing unchanged in London against the D-Mark at DM2.7925 and up 0.1 at 86.3 on the Bank of England's trade-weighted exchange rate index. The Bank did not intervene in its support.

However, it is understood that the Bank, which was intervening to prop up the pound on Monday and on three days last week, is far from happy about sterling's decline.

The Bank accepts that there has been a change in nuance in the Government's approach to the pound. However officials underline that its decline could harbour inflationary risks, if British industry is tempted to exploit sterling's increased international competitiveness to concede excessive wage increases.

For this reason, the Bank has not ruled out the need for higher interest rates.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday November 29 1989

INSIDE

Ship repair yard to the world

Singapore shipyards have much to offer: the world's cheapest repair centre, the largest concentration of dock capacity and good labour-management relations, all set against a background of a strategic location along the main shipping lanes, excellent infrastructure and a stable exchange rate against major currencies. So it is little wonder that they have cornered 40 per cent of the world tanker repair market, with few rivals in sight. But, as Joyce Quek reports, all is not rosy. Page 23

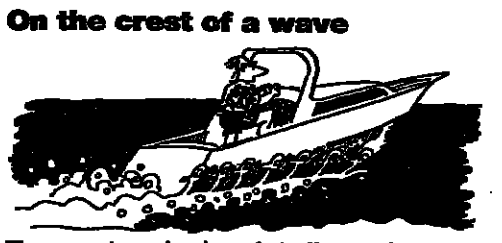
Waiting for new torch bearer

The smoke belching from BASF's Ludwigshafen plant is a good deal thicker than those tiny puffs that give notice in papal elections. Yet the tensions and secrecy surrounding the choice of a new chairman at the West German chemicals group would do the Vatican proud. The result is due to be announced on December 15. But whoever takes over next year from the tough and wily Hans Albers (above) will have some tough times ahead. Peter Marsh looks at some of the likely candidates and the problems they face. Page 22

Creative lending

The World Bank is noted for the creativity of its own borrowing, but until now has not offered similar creativity on the lending side, says Mr John Taylor, manager of its co-financing unit. This will change in the next month or so as the first bonds carrying partial guarantees are issued under a plan that expands significantly the scope of the co-financing programme. Page 26

On the crest of a wave



The recent weakening of sterling exchange rates coupled with a shift in demand towards its larger, more profitable, vessels was the cause of much optimism for the coming year at Fairline Boats, the UK builder and retailer of boats and boating equipment. Chairman and managing director Sam Newington, announcing a 14 per cent rise in profits for the year to the end of September, said the Peterborough company had a full order book. Page 30

Golden ripples

The gold price rally since October 6, which took bullion up by 16 per cent to more than US$420 an ounce before this week's correction, has sent ripples across the world's equity markets. While they reach places as far apart as Japan and West Germany, in the sector's three main homes — North America, Australia and South Africa — the pattern of stock market response has varied widely, according to the mining team at Kleinwort Benson. Page 44

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
KHD	209	+	3.5
Mannheimer Vers	923	+	13
Porsche	795	+	15
V.E.W.	186.5	+	6
Falls			
Rosenthal	338	-	4
Varta-Werk	400	-	17
NEW YORK ($)			
Rises			
Sea Containers	63¼	+	¾
Smithkline Bch	44⅞	+	1⅞
Falls			
Chevron	65⅞	-	1⅛
Dayton Hudson	64	-	1⅞
Dynacorp	8¼	-	⅞
Newmont Gold	49¼	-	⅞
PARIS (FFr)			
Rises			
Concept SA	374	+	22
Esso Franc	531	+	24.1
Lamy-Suner	1622	+	69.8
Moulinex	144.7	+	7.0
Printemps	795	+	33.5
Falls			
UFB-Locabail	472.9	-	21.1
TOKYO (Yen)			
Rises			
Honshu Paper	1160	+	100
Ishii Prec Tool	2390	+	229
Kumiai Chemical	1310	+	140
Ondenchi	3130	+	290
Seika	1250	+	140
Tokyo Sowa Bk	2480	+	230

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Amersham Intl	374	+	12
BAT Inds	784	+	4
Brit Aerospace	513	+	14
Cable & Wire	482	+	11
GRE	236	+	9
Gen Accident	1101	+	23
Glaxo	747	+	15
LASMO	547	+	8
Laing (J) 'A'	259	+	21
Land Sec	593	+	10
Leg & Gen	386	+	7
MEPC	489	+	12
Micro Focus	415	+	27
Reuters	940	+	18
Sainsbury (J)	256	+	4
SmithKline Bch A	598	+	3
Star Comp	77	+	14
Sun Life	1255	+	28
Utd Newspapers	481	+	20
York Chemicals	345	+	6
Falls			
Alphameric	46	-	25
Enterprise Oil	626	-	13

Suez and Baltica in DKr4bn agreement

By Hilary Barnes in Copenhagen

COMPAGNIE Financière de Suez, the rapidly-expanding French financial group, and Baltica Holding, Denmark's largest insurance-based financial services company, yesterday cemented a new European alliance with a DKr4.2bn ($604m) financial agreement.

Suez is to acquire a 23 per cent stake in Baltica, worth DKr2.53bn, while the Danish company will take a 3 per cent holding in Suez. In addition, Baltica Insurance is to pay DKr1.7bn for a 7.8 per cent stake in Colonia-Victoire, a Dutch holding company controlled by Suez and, in turn, controlling the French Victoire and the German Colonia insurance groups.

Yesterday's deal strengthens Baltica's position ahead of the completion of Europe's single market and underlines Suez's increasingly broad international strategy. Its banking unit, Banque Indosuez, has been attempting to buy 25 per cent of Morgan Grenfell, the UK merchant bank which on Monday rejected the French approach and announced an agreed £950m bid from Deutsche Bank.

Baltica also has important UK links, and last spring acquired 10 per cent in Hambros Bank. Another large bank shareholder in Hambros, Italy's San Paolo di Torino, is also an important shareholder in Suez.

The Franco-Danish alliance will be consolidated by an exchange of board seats. Mr Renaud de la Genière, chairman and chief executive of Suez, and a second Suez representative will obtain seats on the board of Baltica Holding, while Mr Peter Christoffersen, Baltica Holding's 43-year-old chief executive, will obtain a seat on the Suez board.

Mr Christoffersen said the deal fulfils three important requirements for Baltica: access to a European network, a barrier against hostile takeovers (Suez is committed not to increase its holding to over 25 per cent), and a capital injection.

Baltica will issue 3m shares to Suez at the November 23 market price of DKr846, giving a value of DKr2.53bn. In return the Danish concern will receive 3.6m Suez shares, priced at FFr421 with a total value of DKr1.7bn, and DKr800m in cash.

Baltica is a diversified insurance group, which also has its own investment bank and broking company. Nine-month operating profits rose to DKr563m (DKr421m) it announced yesterday, while total profits for the period were slightly down at DKr600m (DKr605m).

Suez beat Italy's Carlo De Benedetti in a takeover battle last year for Belgium's biggest financial and industrial conglomerate, Société Générale. Earlier this autumn, it acquired control of the Victoire group, the fifth largest French insurer, which in turn controls Colonia, Germany's second largest insurance group.

Together, Colonia-Victoire is the sixth largest European insurance group.

Former Plessey chief to head BAT's paper side

By Nikki Tait in London

MR Stephen Walls, the managing director who quit Plessey after the electronics company succumbed to a £2bn ($3.12bn) bid from General Electric Company and Siemens of West Germany in September, is to head the pulp and paper interests of BAT Industries, the tobacco-based conglomerate.

BAT is due to spin off these businesses as a separately-quoted company in the second quarter of 1990 as part of its response to the bid threat from Sir James Goldsmith's Hoylake consortium. The company would comprise the US-based Appleton Papers and Wiggins Teape in the UK. BAT has already forecast trading profits of about £212m for the paper interests in 1989, and analysts have suggested the demerged company could have a market capitalisation around £1.2bn — qualifying it for entry in the FT-SE 100 Share Index. Mr Walls, 42, will become chairman and chief executive designate of the newly-christened Wiggins Teape Appleton business from December 1.

He will operate from BAT's London headquarters initially but said yesterday a separate head office was being sought.

Yesterday, Mr Walls was coy about revealing his salary — or even whether it topped his £175,000-a-year remuneration at Plessey. He is believed to have left the electronics group with about £1m from his outstanding contract and share options. He declined to be drawn on the future strategy for the paper businesses. He did, however, confirm that further senior appointments would be necessary from inside and outside the paper companies to establish a parent company board for the demerged businesses.

Mr Michael Broughton, chairman of Wiggins Teape, and tipped to be BAT's next finance director will sever direct connections with the paper company but will remain a finance director on BAT's main board.

Mr Walls is an accountant by training. His career includes stints at Lindustries (taken over by Hanson), Vernons (now part of Ladbroke), and Cheseborough-Ponds, the US group acquired by Unilever. He moved to Plessey in 1987, initially as finance director.

● Hoylake comes before the insurance commissioner in Illinois today in its attempt to win US regulatory clearances for its lapsed bid for BAT. The hearings, however, will concern only Hoylake's application to take control of Farmers Group, BAT's US insurance subsidiary. Proceedings relating to the application from Axa-Midi, lined up as the buyer of Farmers if a Hoylake bid is successful, have been delayed until the New Year. Meanwhile, the state commissioner in Washington state has scheduled an April hearing date.

SmithKline heart attack drug wins approval in US

By Peter Marsh in London

SMITHKLINE Beecham, the Anglo-American pharmaceutical company, has received permission from the US Government to start selling its Eminase heart attack drug in the US.

Some analysts expect revenues from the product — one of a relatively new family of drugs which promise greatly to reduce deaths from heart attacks — to reach $300m a year by the early 1990s. That would put the medication among the world's 50 top-selling drugs.

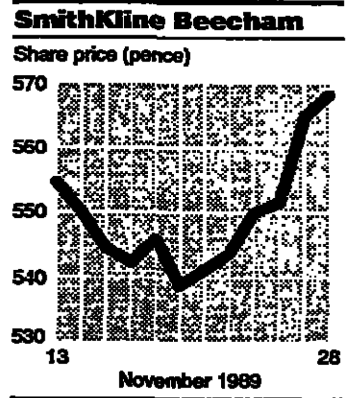
Approval of Eminase by the US Food and Drug Administration, announced yesterday, will put SmithKline in a better position to challenge Genentech of the US, which already has a similar product on general sale.

Revenues from the Genentech formulation, which is called Activase and went on sale two years ago, are expected to top $200m this year.

SmithKline shares showed heavy gains in early trading yesterday on the London stock market but slipped back to close at 568p, up 3p.

Both Activase and Eminase work by dissolving the blood clots that form in the arteries of heart-attack victims and commonly cause death. Although clot-dissolving drugs are not new, the Genentech and SmithKline medications are both thought to have fewer side-effects than the older types of product. They are also easier to administer.

Eminase is already on sale in Britain and several other European countries, but current revenues from the product are thought to be relatively small, at about $20m a year.



Winning approval to sell the product in the US, the world's biggest drug market, is highly important for SmithKline, according to Mr Jonathan de Pasa, an analyst at Barclays de Zoete Wedd, a London broker.

Some believe Eminase could have a marketing edge on Activase in that it can be administered to a patient by injection while the individual is on the way to hospital in an ambulance. This approach may help to save the patient's life because it is in the first few minutes after an attack that the victim is most at risk.

The Genentech drug, on the other hand, is more complex to administer and has to be infused into the blood stream while the patient is in an intensive care unit.

Eminase is also likely to be cheaper than Activase, a factor which may stimulate sales. Analysts expect Eminase to cost half the $2,000 a shot at which the Genentech product sells in the US.

Christian Norgren's fall from grace

William Dullforce explains why the Prince of Liechtenstein's dismissed his financial adviser

November has been a sad month for Liechtenstein's ruler, Prince Hans Adam. On the 13th the death of his father, Prince Franz Josef II, followed closely upon that of his mother. And then on Saturday he was forced to confront Mr Christian Norgren, his financial adviser, skiing and jogging partner, with allegations that he was implicated in an insider trading scandal.

A Swiss financial weekly, had uncovered a link between a member of Mr Norgren's staff and Mr Peter Ritter, director of Finacor, a Liechtenstein company accused by the US Securities and Exchange Commission (SEC) with having misused inside information to buy stock in Combustion Engineering Inc before a $1.6bn bid for it by Asea Brown Boveri (ABB) had been made public.

Faced with this charge, Mr Norgren admitted to the Prince that he was a part owner of Finacor. This marked the beginning of the end for what has been one of the most spectacular careers in European banking. On Sunday the 48-year-old Swedish banker was dismissed as President of the princely family's foundation and as chairman of Bank in Liechtenstein, which had been expanding rapidly under his leadership. Then on Monday ABB, one of Europe's leading engineering companies, announced that he had resigned from its board.

Prince Hans Adam (left): forced to confront his close friend and adviser, Christian Norgren, with allegations of insider trading

Speaking yesterday from his home in Vaduz, the Liechtenstein capital, Mr Norgren admitted that he and his advisers had made a dreadful mistake. The only explanation for this was exhaustion. After working for 12 to 14 hours a day, with very little holiday, one risked taking wrong decisions, he said.

In an effort to correct the situation, he said, Finacor had been instructed well before his confrontation with Prince Hans Adam, to sell back all its Combustion Engineering options and shares at the original prices.

Mr Norgren said he knew nothing about trades in Combustion Engineering stock which the SEC alleges in its suit were executed through other agencies — Guardian Bank and Trusy Cayman Ltd and Banque Internationale a Luxembourg.

On November 9 and 10, three days before the ABB bid for CE was announced, Finacor had instructed Verwaltungs-und Privat-Bank, Vaduz, to make five transactions.

These had been executed through a Zurich broker. They had all been unwound without profit. Mr Norgren said his lawyers would explain these details in the Manhattan court on December 1, when the SEC suit comes up for hearing.

Whatever the outcome of the case, the insider trading charge is extremely awkward for the tiny principality, which over the last few years has started to build up an extensive international asset management business, partially at least effacing its reputation as a rather shady haven for an estimated 60,000 "letter-box" offshore companies.

With a population of only 28,000, tucked into 160 square kilometres along an unnavigable stretch of the Rhine between Austria and Switzerland, Liechtenstein retains a Ruritanian air, in spite of the high per capita incomes of its inhabitants.

It has no airport and is served by only a branch line from the Swiss railway network. Some 1,400 oil paintings from a fabulous art collection are stored in the castle, the home of the ruler, which perches on a crag overlooking Vaduz.

Liechtenstein has a customs and currency union with Switzerland but is a sovereign state. It has a parliament with two political parties that foreigners find difficult to distinguish. Taxi drivers tell you that one is Catholic, conservative and monarchical, the other monarchical, conservative and Catholic. They are known as the Blacks and the Reds.

For international business the principality's most striking feature has been its banking secrecy, the absence of currency controls and its hospitality to holding companies.

Liechtenstein's rise to riches came after the Second World War under Prince Franz Josef. But Prince Hans Adam — granted executive powers in 1984 — has worked to have the family's fortune more efficiently managed and to see Liechtenstein become a reputed centre for managing others' wealth. This was the job Mr Norgren came to, with the support of powerful mentors, in 1981.

Not only was he a protége of Sweden's most influential industrialist and banker, Mr Marcus Wallenberg, he also had the support of Mr Herman Abs, a former chairman of Deutsche Bank and long-standing adviser to Liechtenstein's royal family.

Mr Alfred Herrhausen, now Deutsche Bank's chief executive was reportedly the first choice for the Liechtenstein position But Mr Abs had other ideas for Mr Herrhausen.

Secrecy still heavily shrouds the Liechtenstein family foundation which it is estimated has total assets today worth close to $2.5bn.

Mr Norgren has presided over a remarkable transformation at the Bank in Liechtenstein. In 1981 it had 150 employees, all in the principality, and performed some portfolio management on an advisory basis. Today, it has almost 1,200 employees, of which 800 are abroad, and it is estimated to manage funds totalling close to SFr30bn ($18.6bn).

It has acquired three businesses in West Germany, a bank in London, a finance company in Switzerland and an investment counselling business in New York with some $1.2bn under management. Mr Norgren's biggest coup was the purchase this year, for £91.5m, of GT Management, the London financial services group, which has given BIL important bases in the Far East, and a substantial institutional investment management business.

For Mr Norgren, however, these successes were insufficient to outweigh the one dreadful mistake which his close friend Prince Hans Adam found inexcusable.

Shares dive at UK furniture retailer

By Maggie Urry in London

THE FUTURE of Lowndes Queensway, the troubled furniture and carpet retailer, was called into question yesterday as its shares nearly halved in price, closing at 5½p, down from the 11p opening price. The shares had fallen 2½p on Monday.

The group, which has about 10 per cent of the UK furniture and retailing market, has suffered under the combination of falling sales through its shops, as the housing market has been hit by the rise in mortgage rates, and the weight of its borrowings.

Other highly-indebted retailers in similar sectors have also experienced difficulties; notably MFI, the furniture group which announced a refinancing in August, and Magnet, the kitchen furniture specialists, currently discussing a refinancing with its bankers.

Shareholders said they had been told that the directors were in board meetings today. Last month the group recruited two non-executive directors to strengthen its board.

Lowndes Queensway was formed through the £447m ($697m) leveraged takeover of Harris Queensway in August last year by a consortium headed by Mr James Gulliver, former chairman of Argyll, the food retailing group. The takeover involved a medium-term loan of £250m.

At the time, the shares were valued by the group's stockbroker at 100p. At yesterday's closing price the group's market value is about £18.5m.

Directors of the company were not returning telephone calls yesterday, and the group's external public relations company, also chaired by Mr Gulliver, said it could make no statement. The company's bankers were also unavailable for comment.

In August this year, the group announced a refinancing that involved a £18.5m rights issue at 20p, taken up by 56.5 per cent of shareholders, and a deferral of £18m of debt repayments.

Last month, the company announced a £16.9m pre-tax loss for the half year to the end of July and said its debts at the end of the period were £198.5m. This reflected the seasonal peak borrowing period and debt should now have fallen.

When the refinancing was arranged Lowndes Queensway said it had been worked out on a "worst case" basis, and that no further recourse to shareholders and banks would be necessary.

However, analysts speculated yesterday that the company did now need to raise extra finance.

Lex, Page 20

Airlines in talks on reservations systems merger

By Paul Betts, Aerospace Correspondent

AMERICAN AIRLINES, the largest US airline, is negotiating a commercial and technical co-operation agreement with a consortium of leading European airlines to link its Sabre computer reservation system with the European Amadeus computer reservation network.

Ms Kathy Misunas, Sabre's president, said yesterday she expected the negotiations to be concluded in the next two months. The American Airlines system is the world's largest private real-time computer network and travel information system; Amadeus is a computer reservation system grouping Air France, Lufthansa, SAS and Iberia, among other European airlines.

A partnership between Sabre and Amadeus would compete against a rival partnership between Covia, the computer reservation system of United Airlines, and Galileo, a European consortium including British Airways, Alitalia, KLM, Sabena and Aer Lingus, among other European airlines.

With or without an agreement with Amadeus, Sabre intended to go ahead with a big expansion plan in Europe next year designed to double the number of agencies operating the American Airlines system to 1,600, including 600 in the UK, Ms Misunas said.

Computer reservation systems have become a key competitive instrument for airlines. The expansion of Sabre in Europe parallels the US carrier's ambitious development plans in Europe, with a significant increase in scheduled services between the US and European destinations.

Ms Misunas said a tie-up would probably not involve cross-shareholdings between the two consortiums.

Aker spends NKr1.9bn to lift Spanish cement stake

By Karen Fossli in Oslo

AKER, the big Norwegian industrial group, is spending NKr1.9bn ($277m) to boost its shareholding from 11.3 per cent to 24.8 per cent in Valenciana de Cementos Portland (CVCP), Spain's largest cement producer.

The move is one of the biggest single direct investments overseas by a Norwegian company and underlines Aker's commitment to expanding its international cement activities. Including partnerships and joint ventures Aker is among the world's top five cement producers in terms of production capacity.

Aker's purchase of an additional 13.5 per cent interest in CVCP from subsidiaries of the Spanish cement company makes it the second-biggest shareholder in the Spanish company.

The CVCP group's cement clinker production capacity is 9m tonnes annually, or one-third of total Spanish cement production.

To finance the purchase Aker plans to raise NKr500m through an equity issue of 4.4m B-class non-voting shares, the sale of properties and a long-term loan. The share issue may take place early next year.

Aker said the purchase must be seen against the trend towards larger groupings in both cement trading and production.

In early 1988 Aker and its Swedish partner Euroc, which together form Scancem, purchased Castle Cement for £230m ($359m) from RTZ, the UK-based mining, energy and industrial group.

Banco Espanol de Credito (Banesto), CVCP's largest shareholder with a 35 per cent stake in the company, is understood to be considering whether to block Aker's new share acquisition, though Aker says it has no plans to increase further its stake in the company.

W German bank raises profits 10% to DM929m

By Andrew Fisher in Frankfurt

COMMERZBANK, West Germany's third-largest commercial bank, yesterday announced that its rate of earnings progress had speeded up in recent months, with a 10 per cent gain at the 10-month stage to DM929m ($505m) in partial group operating profits.

The figure leaves out the bank's trading of securities and foreign exchange on its own account. Commerzbank said that although these made a substantial contribution, its total (undisclosed) operating profit had stayed at last year's level.

Overall, said Mr Walter Seipp, chief executive, "we expect a satisfactory result for 1989." He referred to the bank's income from both sales of company stake and securities. Last year its group net profit rose 16 per cent to DM489m.

Following the example of Deutsche Bank, Commerzbank gave a fuller breakdown of its sizeable stakes in industry, which it said had a market value of DM4.2bn at the end of October.

Mr Seipp said the value of Commerzbank's holdings amounted to about DM168 a share. The company's share price closed DM2 higher yesterday at DM257.50. Mr Seipp described the difference between their actual and book value as "considerable."

EB to announce British purchase

ELEKTRISK Bureau (EB), the Norwegian electrical engineering and telecommunications group, said it would today announce the acquisition of a British company, but declined to name the company or the price, writes Andrew Bolger.

EB said the British company would fit in with one of its existing business sectors, which include power generation and telecommunications. EB is 63 per cent owned by Asea Brown Boveri, the electrical engineering concern.

Jürgen Strube   Ronaldo Schmitz   Dieter Stein   Wolfgang Jentzsch   Dietmar Werner

BASF hides new chief behind smokescreen

Peter Marsh on the speculation over a German chemical company's top appointment

Any unusual puffs of smoke emanating from BASF's giant chemicals *complex at Ludwigshafen over* the next fortnight will be regarded with more than usual interest. The smoke could well be a sign that the big West German chemicals group is ready to tell the world who its new leader is.

The supervisory board of BASF, the West German company which is among the world's top three chemicals groups, is due to ratify on *December 15 the appointment* of the group's new chairman, who will take over next summer from Mr Hans Albers.

The successor to Mr Albers, who is 65 next year and is retiring, has already been chosen by the company's executive board and although no one at the moment is divulging the new chairman's identity, it is thought that the news will leak out over the next two weeks.

Whoever takes over from Mr Albers – a tough and wily chemicals industry veteran who conveys a taciturn image but in conversation can display unexpected humour – will have a tough job.

Although BASF, like most of the other big international chemicals groups, has enjoyed good profits growth over the past three years, the early 1990s may well be a more difficult *period for the company.*

Demand for chemicals products, which has boomed in most parts of the world since the mid-1980s, is thought likely to ease off, as a result of a slowdown in economic conditions in many developed countries.

That could pose problems in particular for BASF, which many analysts believe is relatively highly exposed to any *future reduction in demand in* high-volume commodity materials such as bulk plastics, basic industrial chemicals and fertilisers.

Another likely headache for the successor to Mr Albers is in wrestling with the environmental issues that – in much of Western Europe and in West Germany in particular – have made life difficult for many large chemicals groups over the past few years.

Hans Albers: a tough and wily chemicals industry veteran

The chemicals industry, which by its very nature produces large amounts of waste products and has commonly been associated with pollution, has found itself increasingly on the defensive as a result of the rapid rise in public interest in environmental policies.

BASF has been an obvious target for environmental activists not only because of its size but because of the high visibility of its main production site at Ludwigshafen, which with *55,000 employees* (nearly half BASF's worldwide head count) and an annual output of 8m tonnes is Western Europe's biggest chemicals complex.

Many within the chemicals business feel that the industry has not done enough to convey a positive message on environmental matters by, for example, stressing the large sums of money the sector is spending on pollution control. Whoever takes over from Mr Albers will be expected to take a lead in this area.

There are five obvious candidates for the job, all of whom are on BASF's executive board. Among the frontrunners is Mr Jürgen Strube, 50, a lawyer who has a reputation as a good communicator and worked for some time as head of BASF's operations in the US – where the company last year gained a fifth of its DM43bn ($23.89bn) annual sales.

Also in the running is Mr Ronaldo Schmitz, BASF's urbane and snappily dressed finance director, who is an economist by training and is 51.

However, both men have against them the fact that they are non-chemists; BASF has never chosen such a person as its leader.

That may tip the scales towards any one of the three chemists on BASF's board who appear to be challengers. Of these, Mr Dieter Stein, an impressive 55 year old who is in charge of BASF in North America, seems to some to have the best credentials; the other candidates are Mr Wolfgang Jentzsch, 57, and Mr Dietmar Werner, 55.

Leaving aside the discussions over the leadership, much of BASF's attention in the coming months will be devoted to looking out for any signs of the recession that some believe is about to hit the chemicals sector.

Here the company can be buoyed by its better-than-expected third-quarter results: pre-tax profits for the first nine months of 1989 were 22 per cent higher than for last year.

In a recent interview, Mr Schmitz said BASF saw no need to fear developments in 1990. "There may well be a slowing down of growth. But we see no big effects on profits."

In keeping with these bullish sentiments, BASF is planning a capital-spending programme of DM4.5bn next year, up from DM4.1bn this year and compared to about DM3.5bn a year in the mid-1980s. About two-fifths of this cash will be spent at Ludwigshafen, with the rest scattered around BASF's other plants in Europe and in Japan and the US.

Part of BASF's policies for the 1990s is to spread the impact of any possible slowdown in demand by increasing the proportion of its sales from outside the European Community; the community at present accounts for just over half annual revenues. South-east Asia, where BASF gains just 7 per cent of its sales, is one target for a turnover increase.

In its development programme BASF has also been trying to accent high-value, research-intensive products whose profits are more likely to hold up in a recession. For example, it is trying to progress in engineering plastics and specialised coatings.

And in an effort to bolster its modest pharmaceutical division, the company is spending $70m on a new genetic-engineering laboratory in Massachusetts in the US.

SALES BREAKDOWN 1988 (DMbn)

Raw materials/energy	5.7
Industrial chemicals	9.0
Agricultural chemicals	4.8
Plastics	8.0
Dye stuffs	7.7
Consumer products	8.7
TOTAL	43.9

INTERNATIONAL COMPANIES AND FINANCE

Sunrise for Singapore shipyards

Joyce Quek finds that marine repairs have escaped the doldrums

It's sunrise, sunset, and sunrise again for Singapore's ship repair industry. Once doomed to a limited future of red ink, it is enjoying a boom that will see industry turnover eclipsing the 1981 peak of S$1.1bn (US$567m).

On the back of a 45 per cent revenue surge to S$99m in 1988, analysts have forecast an average 33 per cent leap to S$1.33bn in 1989 and to S$1.68bn for 1990.

Metalock, the cheapest marine counter, is not even listed on the stock exchange of Singapore's main board. It had languished on Sesdaq, the second-tier board, at the S$1.17 level three months ago. Currently, despite the downward pull of Friday the 13th on world bourses, it can only be purchased at double the price.

Though other factors have contributed to its rise, the popularity of marine stocks is a major plus. Singapore shipyards have much to offer: the world's cheapest repair centre, the largest concentration of dock capacity, at 2.8m dwt, and good labour-management relations, all set against a background of a strategic location along the main shipping lanes, excellent infrastructure and a stable exchange rate.

It is little wonder then that the vastly experienced shipyards have cornered 40 per cent of the world tanker repair market, with few rivals.

Most analysts like Morgan Grenfell Asia Securities and Merrill Lynch believe the boom is sustainable for at least two years. Some, like Morgan Grenfell, have carried out an in-depth industry study and cite the following favourable factors:

- An upturn in shipping, especially with seaborne trade volumes in the Far East expanding by 20 per cent – 30 per cent over the next five years.
- The substantial gap between new building cost (S$155m to S$213m for a new very large crewed carrier) and second-hand vessel prices (S$45m for a 14-year-old vessel) widening still further, leading to intense speculation in the second-hand tanker market. The 1973/74 world oil crisis discouraged the building of many new ships.
- An ageing world fleet, with 73 per cent of the world tanker tonnage more than a decade old, according to Lloyds register of shipping.
- A new Lloyds classification which lets shipowners extend their vessels' economic lives from 15-20 years to 25-30 years.
- Extensive repair work now required for vessels due to their neglect or poor maintenance during the slump. Ship repair accounted for three quarters of the marine industry's revenue in 1988, compared to 45 per cent during the 1981 peak.

The industry had, for decades, been one of the economy's main pillars until 1982, when ship repairing began sinking under the weight of sluggish world trade, depressed commodity prices and collapse of the world tanker market.

Worse still, when costs rose, repair rates could not, the average 25 per cent margin earned for ship repair in 1981 slipped in a year to 16 per cent before hitting rock bottom at 1.2 per cent in 1985.

Glyn Genin

The P&O container ship Liverpool Bay in the port of Singapore

Costs are on the rise again but ship repair rates have followed in the light of the demand at yards already operating at full capacity.

Since its rebound, shipyards have not looked back. The marine industry's contribution to the gross domestic product was back up to 1.2 per cent last year.

The downside to the otherwise rosy picture is the city state's lack of a domestic market to take up the slack in lean years, and its chronic shortage of skilled labour which translated into high wages (up 10 per cent in 1989 and another 8 to 10 per cent in 1990) and continual dependence on foreign labour, comprising four of every 10 shipyard workers.

As the Government discourages the use of foreign workers by imposing a monthly S$250 foreign levy per person, analysts believe that growth has to come from high margins which the yards will have to fine tune to maintain their price advantage which, by one estimate, is 20 per cent against rivals.

Prices were raised 10 per cent at the beginning of this year but are unlikely to go much higher. Merrill Lynch expects another 15 to 20 per cent increase over the next two years.

Singapore's Asian rivals are less of a threat than those in Europe, in particular West Germany, and, in the long run, perhaps China. The South Koreans and Japanese have priced themselves out of the market while those closer to home – Malaysia, Indonesia and the Philippines – do not have the infrastructure and expertise to match.

Rigbuilding, once a major contributor to the marine industry, has likewise enjoyed some resurgence. Once the world's second largest rigbuilding centre, times have hit so hard that there is only one active company left – Far East Levingston, an international leader in rig technology with an order book of S$500m.

Among Singapore's shipyards, government-linked Keppel Corporation is the one most touted by analysts as a core holding. It has one third of the ship repair market and the largest drydock capacity at 1m dwt.

Keppel has diversified the most through its eight listed companies not only in core businesses – ship repairing, property, finance and offshore construction – but physically as well in low-cost locations. It owns two yards in the Philippines which were successfully floated on Filipino exchanges and a stake in an Indian shipyard with Chokhani International.

State-owned Sembawang Shipyard, the second-largest local ship repairer, is looking for facilities in the region but Jurong Shipyard is content with its Japanese connection through Ishikawajima Harima Heavy Industries.

The future, many believe, lies in the leisure business, an area with good growth potential as it caters for Asian yuppies who want to take to the high seas. Keppel has bought three companies which repair or build pleasure craft, including California-based builder Pacific Seacraft.

Bond Media questioned over sudden share fall

By Bruce Jacques in Sydney

BOND MEDIA, the Australian television and radio company controlled by Mr Alan Bond, has been queried by the stock exchange over a sudden share price fall.

The fall, from 20 cents to an all-time low point of 15 cents, has heightened speculation that the company's two main creditors, the National Australia Bank, and Mr Kerry Packer's Consolidated Press group, are about to move for control.

The National is leading a syndicate owed about A$385m (US$302.1m), due in January, while Mr Packer holds A$200m worth of Bond Media preference shares which mature in March. Mr Packer has employed Whitlam Turnbull, the Sydney merchant bank, to advise on a strategy to protect his investment and the National recently commissioned a report on the company's affairs from Peat Marwick Hungerfords, the firm of accountants.

Market speculation is that one of several options before Mr Packer and the National is to form a joint venture company to bid for Bond Media. This would pre-empt other creditors and perhaps allow the partners eventually to dispose of the broadcasting assets at a price sufficient to cover debts.

But Mr Bond's flagship company, Bond Corporation, which controls about 58 per cent of Bond Media, could emerge as a stumbling block in any such strategy.

The Bond group is still carrying the broadcasting assets in its books at close to A$1bn, and would crystallise a large loss on any sale of Bond Media shares at a price around current market levels.

Such a loss could be sufficient to cause the collapse of Bond Corporation, which is already struggling to maintain the support of its bankers. Bond Corporation shares fell 1 cent to 30 cents yesterday, and shares in the Bell Resources subsidiary fell 9 cents to 76 cents.

Brierley wins control of Ariadne

By Bruce Jacques in Sydney

BRIERLEY INVESTMENTS, the New Zealand investment company, has won board control of Ariadne Australia, the former share-boom high flier which almost collapsed last year.

Mr Bruce Judge, the controversial Ariadne chairman, has also returned as a director after a fiery annual meeting in Brisbane yesterday.

Mr Malcolm Edwards, Ariadne's managing director, whose Grylis group claims to speak for about 37 per cent of the company's capital was sacked at the meeting. Three other sitting directors, Mr Don Lifton, Mr Warren Thompson and Mr Gordon Amadeus were also sacked.

Three Brierley Investments representatives were elected in their place – Sir Ronald Brierley, Dr Gary Weiss and Mr Doug Conway. Mr Barry Capp, the company's chairman, was not challenged.

Sir Ronald, who supported Mr Judge's election, said he planned liquidation of the group's assets. This appears to be at odds with statements from Mr Judge that no further asset sales are necessary.

Ariadne has contracted to sell its Wreckair machinery division to Brambles Industries for $A126m, but the new board may abort the sale, with Sir Ronald believed to feel the price is too low.

The board elections may yet be overturned through court action by Mr Edwards over a disputed parcel of shares which would give Grylis control of a further 18 per cent of Ariadne's shares.

Malaysian group to sell assets of main subsidiary

By Lim Siong Hoon in Kuala Lumpur

MULTI-PURPOSE Holdings, the diversified Malaysian group where control has passed from a political party to a family company earlier this year, is to sell assets in its most important subsidiary, Dunlop Estates, to Industrial Oxygen Incorporated (IOI).

The 500m ringgit ($185.2m) deal covers the disposal of 27,600 hectares of oil palm, rubber, and cocoa, and processing mills. IOI, a public quoted company, has businesses in plantations, gases, and real estate.

Without Dunlop Estates, Multi-Purpose will lose nearly half its revenue – 538m ringgit last year – derived from plantations. Dunlop Estates has also sold 32.5 per cent of its 53.7 per cent stake in Malaysian Plantations to Kamunting Corporation, the reputed white knight involved in a two-way tussle for Multi-Purpose.

The Malaysian Chinese Association (MCA), a partner in the coalition government, once controlled Multi-Purpose through the party's co-operative society, Koperatif Serbaguna Malaysia. KSM has the single largest stake of 28.9 per cent in the group.

But when KSM went into receivership and Multi-Purpose floundered simultaneously under accumulated losses of more than 450m ringgit, a variety of schemes was mooted to rescue the group.

Kamunting offered to buy KSM, and thereby control Multi-Purpose. Aided by Malaysian Plantations, and using a combination of new share issues, convertible loan stocks, and debts, Kamunting, must raise 592m ringgit to bail out the co-operative society.

Shareholding control of the company, which is publicly-quoted like Malaysian Plantations and Dunlop Estates, is held by Mr Lim Ah Tam, a tin miner, and his family. Until its own reconstruction, Kamunting's paid-up shares amounted to 56m ringgit.

Equity restructuring this month will inflate Kamunting's share capital seven fold to 395m ringgit. At Malaysian Plantations last week, the company issued a cash call through a two-for-one rights issue which will triple its capital to 180m ringgit.

Multi-Purpose itself has long-term debts of 200m ringgit and last year managed to return a bottom-line profit of 16m ringgit after three years in the red.

For its purchases, IOI will resort to debt and equity finance. At 300m ringgit, IOI is two-thirds the size of Dunlop Estates in market capitalisation.

SA bank rises midway

By Jim Jones in Johannesburg

UBS HOLDINGS, the South African building society and banking group, lifted profits in the six months to September 30 1989 even though high interest rates cut demand for some of the group's financial products.

Although advances grew less rapidly than deposits, higher interest rates resulted in the first half's interest income rising to R1.02bn ($390.8m) from R688m in the corresponding period of 1988, while interest on deposits rose less rapidly to R848m from R567m.

The first half's pre-tax profit was R121.6m against R91.3m at the half-way stage last year and R215.1m for the last financial year as a whole. Total assets grew to R14.2bn at the end of September from R13.1bn at the end of March.

Mr Piet Badenhorst, the chief executive, says competition remains intense in the financial services industry, but adds that UBS's recently formed banking arm is now profitable.

The first half's earnings rose to 32.7 cents a share from 25.8 cents and the interim dividend has been raised to 12.5 cents a share from 11 cents. Last year's full earnings were 63.1 cents and the year's dividend 27 cents.

Toshiba and NEC at peak

By Stefan Wagstyl in Tokyo

TOSHIBA AND NEC, two of Japan's largest electronics groups, yesterday reported record interim consolidated sales and profits due to strong demand at home, particularly for semiconductors, computers and information processing equipment.

Toshiba saw a 33 per cent increase in consolidated pre-tax profits to Y131.4bn ($916.3m) for the six months to the end of September.

Sales rose 10 per cent to Y2,005bn. Net income was 18 per cent higher at Y62.8bn. Toshiba expects a strong second half and forecasts full year sales of Y4,210bn, an increase of 11 per cent, and net profits of Y130bn, 9 per cent up.

NEC's pre-tax profits rose 52 per cent to Y75.8bn on sales of Y1,569bn, up 10 per cent. Net income was 27 per cent higher at Y33.3bn.

For the full year NEC expects sales to rise 8.3 per cent to Y3,340bn and net profits to Y80bn, an increase of 24 per cent.

INTERNATIONAL COMPANIES AND FINANCE

Litton posts flat profits as sales slip to $1.2bn

By Roderick Oram in New York

LITTON Industries, the Beverly Hills based industrial and oilfield services group, reported yesterday flat earnings for its fiscal first quarter.

Net profits for the three months ended October 31 were $43.56m, or $1.73 a share, against $43.59m, or $1.69, a year earlier. Sales slipped to $1.2bn from $1.23bn.

Higher operating profits from industrial systems, such as factory automation equipment, and industrial services, such as oil field evaluation, were offset by lower results from electronics such as defence equipment and its shipbuilding business.

First quarter sales of electronics fell to $486.7m from $553.3m, reflecting the virtual completion of a Saudi Arabian contract.

Operating profits fell to $41.6m from $43.1m. Industrial systems and services had operating profits of $38.3m, against $32.8m, on sales of $482.5m, compared with $413m. Marine operations reported operating profits of $31.1m, against $33.1m, on sales of $272.9m, down from $286.4m a year earlier.

Analysts are looking for only a modest profit increase this year of around 10 per cent from last year's $6.33 per share. Litton should stand up well to defence spending cuts.

Its shipbuilding programmes are long-term and the military's needs for electronics equipment will remain strong. In the industrial sector, improving results from oilfield services should offset short-term weakness expected later this year in factory automation.

New England bank warns of loss for last quarter

By Anatole Kaletsky in New York

BANK OF New England, the 15th largest US bank holding company and a leading lender in the troubled New England land market, said yesterday it would report a "substantial" loss in the fourth quarter because it needed big additions to its loan loss reserves.

The bank also announced an agreement to sell most of its leasing operations to Bank of Tokyo, which would make about $110m.

Despite the projected loss in the next quarter, the BNE board voted to maintain the quarterly dividend of 34 cents a share established in the middle of last year.

BNE's share price was unchanged at $14¾ in active trading yesterday morning. The shares have fallen more than 60 per cent from their peak of $39½ in mid-1986, at the height of the industrial and financial boom in Massachusetts and surrounding states. Two months ago the stock was worth $23.

Mr Walter Connolly, the bank's chairman, said that the substantial reserve additions would be required because of the sluggish New England economy and the "very soft" real estate market. The bank was still completing its credit evaluations and it was not yet possible to quantify the size of the new reserves.

He added that the sale of the leasing businesses was part of the strategic restructuring announced by BNE this year. This aimed to focus its resources on core banking activities in the states of Massachusetts, Connecticut, Maine and Rhode Island. Leasing had ceased to be attractive because of recent changes in the tax laws and because 80 per cent of the company's leasing business came from outside New England, he said.

Under the deal announced yesterday, Bank of Tokyo will acquire all the operations of BNE's New England Merchant Leasing subsidiary, as well as about $500m worth of lease contracts. Bank of Tokyo will also act as an agent in servicing the remaining $1bn of leasing assets that BNE retains.

BNE did not disclose the financial terms of the deal, except to say that Bank of Tokyo would pay a "premium of approximately $100m."

JWT wins back Goodyear Tire

By Alice Rawsthorn

J. WALTER THOMPSON, one of the oldest established advertising agencies, is celebrating its 125th birthday by winning back the part of the $50m advertising account for Goodyear Tire and Rubber in the US, which it lost two years ago.

JWT handled Goodyear's US advertising in the mid-1980s. But it lost the main part of the account in 1987 shortly after its acquisition by the WPP Group, the ambitious UK marketing company headed by Mr Martin Sorrell.

Goodyear had just emerged from a bitter battle against a $3.5bn hostile bid from Sir James Goldsmith, the flamboyant Anglo-French financier who has since turned his attention to a new target, BAT, the UK conglomerate.

Sir James was repulsed, but at enormous expense to the company. Goodyear took on huge borrowings to buy back his shares. Sir James, or "the English knight in shining junk bonds" as he was called, and his associates pocketed a profit of around $93m.

Goodyear was left to scrap its diversification plans, slash capital expenditure, sell assets and close down production plants.

Mr Robert Mercer, Goodyear's chairman, emerged with an antipathy to hostile bids in general, and to hostile bids for US companies by foreigners in particular.

When WPP made its bid for JWT two years ago, Goodyear lost little time in announcing it would withdraw its account if the agency passed into foreign hands. Goodyear then said it would "not be comfortable" working with an agency controlled outside the US.

WPP won its fight for JWT. Goodyear duly gave the mainstream US tyre account to another agency, Young & Rubicam, although JWT was allowed to keep the account for performance tyres.

Things have since changed. Goodyear now has a new chairman. JWT has emerged from the management shuffles and reshuffles that followed WPP's takeover, and the $45bn international tyre industry has become more competitive.

One of Goodyear's responses has been to reassess its US advertising strategy for the 1990s. It asked both its agencies to pitch for the account: JWT won.

Banks lend Saudis £2bn to cover arms deal

By Victor Mallet

A PROPOSED bank loan worth £2bn ($3.1bn) to cover a shortfall in Saudi payments for British defence equipment will have the Kingdom of Saudi Arabia as the effective borrower, bankers and government officials said in London yesterday.

However, because of Saudi Arabia's sensitivity about foreign debt, the immediate borrower is likely to be a special entity established for the duration of the loan.

About a quarter of the loan – probably denominated in dollars and repaid in four years – is expected to be available from Saudi banks and institutions, with most of the rest from British banks.

The two Governments and the banks attempting to arrange the lending for the UK-Saudi Al-Yamamah defence deal have disclosed few details, but bankers believe that the equivalent of £1bn will be covered by the Export Credits Guarantee Department.

Saudi International Bank, 50 per cent-owned by the Saudi Arabian Monetary Agency (central bank) and five per cent by National Westminster Bank, is thought to have a leading role in the arrangements. It was involved in an equally secretive deal two years ago which is said to have raised $1.3bn to plug a previous funding gap faced by Al-Yamamah contractors.

The cash shortfalls have arisen as the cost of British services and aircraft such as the Tornado have exceeded the value of Saudi payments, which come in the form of 400,000 barrels of oil a day.

Canadian packaging sector faces reshape

By Robert Gibbens in Montreal

THE FRAGMENTED Canadian packaging industry is starting to be rationalised as protective tariffs decline to zero over the next nine years under the Canada-US free trade agreement.

The rationalisation will leave fewer players based in Canada and operating on a North American scale – but they should be more competitive.

For example, CCL Industries last week sold its Continental Can Canada beer and soft drinks manufacturing subsidiary to the US Crown Cork and Seal Company of Philadelphia for $330m. The deal included CCL receiving 8.8 per cent of Crown Cork.

CCL has about half the Canadian market for aluminium and steel drinks cans. But as free trade arrives, the market becomes North American, reducing that 50 per cent share to only 3 per cent.

Crown Cork may shut down some of Continental Can's 11 plants north of the border as part of its rationalisation.

The terms disappointed the market, mainly because CCL cannot use equity accounting for the Crown Cork holding, valued at US$154m. Also, Crown Cork does not pay dividends. Therefore, CCL's earnings will not benefit directly from the deal, and will decline nearly 50 per cent with the loss of Continental Can Canada income.

For the first nine months of this year CCL earned C$28.1m (US$24m) or 85 cents a share, on total sales of C$666m.

However, CCL says it will be able to concentrate on its profitable custom packaging products business in Canada and the US.

● Mr David Culver, who retired this spring as chairman of Alcan Aluminium, and several business leaders are forming a merchant bank to develop investment opportunities stemming from free trade between Canada and the US.

Mr Culver led the business campaign for free trade up to the 1988 federal election.

CAI Capital, as the new bank will be known, will be based in Montreal and will operate in Canada and the US, concentrating on finance, mergers, acquisitions and divestitures.

Apart from Mr Culver, the CAI board will include Pierre Lortie, former chief executive of Provigo; Mr Jean de Grandpre, retired chairman of BCE; and Mr Rowland Frazee, retired chairman of the Royal Bank of Canada.

Georgia-Pacific will seek to oust Nekoosa directors

GEORGIA-PACIFIC, the US lumber producer, plans to seek shareholder support for a special meeting so that investors in Great Northern Nekoosa, the paper producer fighting a bid from the Atlanta company, can vote on the removal of Great Northern's directors, agencies report.

Georgia-Pacific says Great Northern must call the special meeting no more than 60 days after it receives demands from holders of one third of its outstanding shares.

The Atlanta-based company says it will start soliciting demands as soon as documents filed with the Securities and Exchange Commission are available for distribution.

Georgia-Pacific also plans to ask the Federal District Court in Maine to force Great Northern Nekoosa into holding a special shareholders' meeting within 30 days instead of on March 20, as scheduled by Nekoosa. At that meeting, Georgia-Pacific says, shareholders would consider Great Northern's "poison pill" rights plan and Georgia-Pacific's $3.47bn, $63-a-share, offer for Great Northern – raised from the initial bid of $3.2bn, or $58 a share.

If the offer is approved at that meeting, Georgia-Pacific says it would redeem Great Northern's poison pill on completion of its offer, subject to conditions.

Georgia says it also asked the court to order Great Northern to disclose in its SEC filing whether it is undertaking "any negotiations that would alter the financial structure of the current company or infringe upon the shareholders' opportunity to vote and consider Georgia-Pacific's offer." It also wants the court to require Great Northern to give 72 hours' notice before entering into any such agreement.

Lone Star to restructure

LONE STAR Industries, the biggest US producer of cement, concrete, sand and gravel, will record a $250m net charge against fourth-quarter income, for a planned restructuring programme, agencies report.

For the fourth quarter of 1988, Lone Star reported net income of $41.6m or $2.44 a share, on sales of $93.1m.

The company said the charge would the effect of writing down the assets and providing for anticipated losses through their expected sale dates.

It also included a provision for taxes relating to the planned repatriation of earnings and capital from South America – either through dividend distributions or the sale of operations in the area.

It said that it would also sell some marginal businesses including several in the southwest of the US, interests in joint ventures, an investment in preferred stock and surplus land.

INTERNATIONAL CAPITAL MARKETS

S Korean bank raises its foreign profile

By Maggie Ford in Seoul

KOREA Development Bank (KDB), the financing body for the South Korean economic miracle, is expanding internationally to continue its support for the country's companies as they enter the global market.

The KDB has been known abroad for years through its participation in the syndicated loan market when South Korea was a large borrower. The country's remaining foreign debt, which reached a high of $45bn in 1985, is expected to be overtaken by its foreign assets in the next year.

The bank is therefore diversifying its activities to back up the government and private-sector strategy of internationalisation and specialisation of South Korean industry.

The wholly state-owned bank, which supplied 60 per cent of all loans for equipment to South Korean companies in 1970, has now reduced that figure to 37 per cent, mainly in high-technology and long-term projects that other banks do not wish to finance.

It is now focusing on financing for companies' expansion abroad and diversifying its own activities in world capital markets.

This year the bank has financed three overseas projects, including the first large overseas acquisition by a South Korean company when Sammi Steel bought subsidiaries of Rio Algom, the Canadian speciality steelmaker. Twenty-three other projects, worth $250m, are in the pipeline.

KDB has also started to get involved in underwriting in the bond market through its London subsidiary, with a target of 30 cases by the end of the year. Bonds have not been restricted to Korean issues and include Japanese, Australian and Indian bonds.

In the syndicated loan market, the bank has diversified away from South Korean projects and has lead-managed several loans for such clients as the National Bank of Hungary, the Papua New Guinea Government and the Steel Authority of India. The KDB was last week chosen to co-lead manage a $400m sovereign loan for Indonesia.

The change in the bank's style, which is also being followed by a number of other South Korean banks, follows the increasingly outward-looking attitude of South Korean companies, whose foreign investment jumped 59 per cent in the first nine months of this year to $330m.

As the companies move their high-wage and low-tech subsidiaries to south-east Asia, the banks are gaining experience in these countries. At the same time, companies wanting to invest in Europe in advance of the single market in 1992 are in need of financing help.

Mr Y.E. Chung, the KDB governor, anticipates big changes in the bank's role over the next few years. Domestically, the bank will continue to support balanced industrial progress, particularly in high-technology industry. It will also provide funds to assist structural adjustment of industry according to government policy.

"We will strengthen our investment banking activities," Mr Chung said. The bank will subscribe to stocks, take a strong role in the debentures market and introduce new financial products.

Although the bank is not allowed to engage in securities transactions, it will be able to do securities business through its overseas subsidiaries in London, New York, Hong Kong and Singapore.

It also proposes to offer international services to its domestic clients on project financing, mergers and acquisitions, Euromarket fund-raising and foreign exchange and foreign securities management. It plans to issue foreign currency-denominated industrial finance bonds.

As a manager of the country's foreign reserves, which have now reached $17bn and are expected to continue to rise in line with the surplus on the current account, the KDB is likely to be flush with funds for some time.

Its success as the financier for "Korea Inc" is already well known in the banking world. The opening this month of its first branch in London suggests that Korean companies will not be far behind.

Fed policy leaves market cautious and confused

By Janet Bush in New York and Rachel Johnson in London

US TREASURY bonds were narrowly mixed at yesterday's mid-session as the market settled into a cautious mood to see where exactly US Federal Reserve policy lies.

The benchmark long bond was quoted ⅛ point lower for a yield of 7.90 per cent while short-dated maturities were generally unchanged.

Another reason for caution yesterday, particularly at the short end of the yield curve, was the scheduled sale of $10bn in two-year notes.

Bond economists at Drexel Burnham Lambert said yesterday that "the events of the past few days of Fed activity have been some of the most perplexing and misleading that we have ever seen in our experience as Fedwatchers".

They refer to last Wednesday's aggressive addition of reserves, which pushed the Fed funds rate down to a low of 8½ per cent and was interpreted as an easing move to 8¼ per cent.

This was followed by draining operations on Friday and

GOVERNMENT BONDS

Monday. Yesterday, the Fed did two-day system repurchase agreements which were held to have no policy meaning.

Fed funds were quoted a touch on the high side at 8¾ per cent at mid-session.

The shaky consensus in the market now is that the Fed did not ease to 8¼ per cent last week and that the target is still at 8½ per cent.

However, this debate may soon become a moot point as bond economists generally believe that the Fed will ease policy over the next few weeks in response to more weak economic data.

■ D-Mark, guilder, French franc and sterling bonds all opened on average ¼ point lower yesterday, and closed down about ¾.

This was in reaction to the Fed's draining of liquidity from the US money market.

In West Germany, the Fed's activities were not the only downwards spur to bunds, as fears of inflation and rapid expansion of the economy in a possible unification of the two Germanies continued to worry investors. Bunds had both US monetary policy and domestic uncertainty to contend with yesterday, and slipped lower after fixings.

However, at the low levels, investors switched out of bunds and into French and Dutch government bonds.

This, coupled with the low prices, attracted some professional buying interest and served to push up prices in a bear squeeze. The January 6.5 per cent bond due to mature in 1999 closed on Monday at 94.25, was yesterday fixed at 93.80, and was squeezed up to close at 93.95.

Dutch government bonds followed a similar pattern, closing ¼ point down from Monday as they tracked bunds. The 7.5 per cent 1999 bond drifted down from 98.6 to close at 98.4.

■ In the UK, gilts opened about 4 ticks lower and closed ⅛ point down, despite sterling's overnight recovery on the foreign exchanges.

The market closed still smarting from Monday's sell-off.

The best barometer of the market, the long gilt future, closed on Monday at 90.27, and last night at 90.18.

The benchmark issue maturing in 2003/07 finished on Monday down ⅛ at 109⅛, and dropped a further ¼ yesterday.

■ The Sydney Futures Exchange said yesterday it would launch its new computerised trading system, Sycom, tomorrow, the day when the London International Financial Futures Exchange is also scheduled to launch its new automated trading product.

The exchange said it reckoned the system was the most cost-effective way to extend its regular floor trading session.

Initially, only 10-year bond futures will be available.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	103-22	-2/32	11.90	11.82	11.59
		9.750	1/98	94-07	-2/32	10.83	10.81	10.64
		9.000	10/08	92-17	-7/32	9.88	9.86	9.72
US TREASURY *		7.875	11/99	100-06	-3/32	7.89	7.90	7.91
		8.125	8/19	102-13	-1/32	7.91	7.91	7.93
JAPAN	No 111	4.600	6/98	94.6225	-0.193	5.53	5.56	5.41
	No 2	5.700	3/07	101.7739	-0.180	5.50	5.55	5.30
GERMANY		6.750	6/99	95.5000	-0.650	7.42	7.42	7.03
FRANCE	BTAN	8.000	7/94	93.6646	+0.089	9.68	9.72	9.27
	OAT	8.125	5/99	93.5000	-0.100	9.16	9.13	8.85
CANADA *		9.500	10/98	98.6250	-0.375	9.73	9.57	9.48
NETHERLANDS		7.250	7/99	96.1800	-0.420	7.82	7.84	7.43
AUSTRALIA		12.000	7/99	94.0403	+0.310	13.10	13.38	13.60

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 28

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8⅞ 96	750	100½	100⅞	-0¼	-0¼	8.50
Alberta 9⅞ 95	600	104	104¼	-0⅛	0	8.45
Austria 9⅝ 93	140	103⅛	103⅝	-0¼	+0⅛	8.38
B.F.C.E. 8⅞ 94	175	99¾	100⅛	0	+0⅛	8.36
B.F.C.E. 9¼ 95	150	103⅛	103⅝	-0⅛	0	8.48
Brit. Tel. Fin. 9⅞ 98	250	103¾	104⅛	-0⅛	0	8.69
Canada 9 96	1000	103⅞	104⅛	-0⅛	+0¼	8.14
C.C.C.E 9¼ 95	300	103⅛	103⅝	-0⅛	+0⅛	8.41
C.N.C.A 9⅜ 93	150	102⅝	102⅞	-0⅛	0	8.53
Credit National 8¼ 93	200	99½	100	-0⅛	+0⅛	8.31
Credit National 7⅞ 92	100	97⅞	98¼	-0⅛	+0⅛	8.29
Credit National 9½ 92	160	†102⅜	102⅞	-0⅛	0	8.49
Dai-Ichi Kan 9⅝ 92	150	102⅛	102⅝	-0⅛	-0⅛	8.67
Denmark 8¼ 94	150	†98⅝	99⅛	-0⅛	+0⅛	8.53
E.E.C. 7 91	100	97⅜	97⅞	-0⅛	+0⅛	8.32
E.E.C. 10 93	140	104½	104⅞	-0⅛	0	8.32
E.I.B. 8½ 99	150	99⅝	100	-0⅛	-0⅛	8.52
Eurofima 10⅛ 93	100	†104⅝	105	-0⅛	0	8.39
Elec. De France 9 98	200	102⅞	103⅛	-0⅛	+0⅛	8.47
Elec. De France 9½ 99	200	105⅜	105⅝	-0⅛	0	8.60
Finland 9 96	250	102⅝	102¾	-0⅛	+0⅛	8.44
Finn. Exp. Cd. 8½ 92	200	100	100½	-0⅛	-0⅛	8.34
Finn. Exp. Cd. 9⅜ 95	200	103½	104	-0⅛	+0⅛	8.53
Ford Motor Credit 8 91	250	†98⅞	99⅜	0	-0⅛	8.67
Gen.Elec.Cap.Corp. 9 93	500	†101⅞	102¼	-0⅛	+0⅛	8.39
Gen.Elec.Cap.Crp.10 1/291	300	102⅛	102⅝	0	+0⅛	8.43
G.M.A.C. 9 96	300	100⅝	101⅛	-0⅛	-0⅛	8.80
Gen.Mtrs.Corp. 9⅛ 92	200	101⅛	101⅝	-0⅛	0	8.48
IBM Credit Corp. 8⅝ 92	400	100⅜	100¾	-0⅛	-0⅛	8.42
IBM Credit Corp. 8⅞ 91	250	100½	101	-0⅛	0	8.42
IBM Credit Corp. 9 92	250	101½	102	-0⅛	0	8.20
IBM Credit Corp. 9½ 92	250	101⅞	102⅜	-0⅛	0	8.38
Italy 8½ 94	1500	100⅝	100⅝	0	+0⅛	8.33
Italy 9½ 95	1000	104⅜	104⅜	-0⅛	-0⅛	8.50
Italy 9⅝ 99	1000	106⅛	106½	0	+0⅛	8.59
Itoh C. W/W 4⅜ 94	1000	111	112	-0⅛	+1⅞	1.96
Japan Dev. Bank 10 96	200	107⅛	107⅝	-0⅛	+0⅛	8.45
KFW Intl. Fin. 9 94	300	101⅞	102⅜	-0⅛	+0⅛	8.43
L.T.C.B. of Japan 9¼ 92	200	101⅜	102	-0⅛	0	8.59
Nippon Tel.&Tel. 9⅜ 98	250	104⅜	104⅞	-0⅛	0	8.63
Norway 8¾ 93	500	101½	102	0	+0⅜	8.09
Portugal 8¼ 91	300	†98⅞	99⅜	-0⅛	+0⅛	8.92
Sumitomo Corp. W/W 4 93	1500	124	125	+0⅛	+5½	-2.46
Sweden 8¾ 96	200	101⅛	101⅜	-0⅛	+0⅛	8.39
Sweden 8½ 92	200	†99⅜	99⅞	-0⅛	-0⅛	8.63
Toyota 9½ 91	200	101⅝	102⅛	-0⅛	0	8.46
Toyota Mtr.Corp. W/W 4 93	1500	106⅜	107⅜	+1⅛	+1⅞	1.85
Victorian Rep 11⅝ 92	150	105⅝	106⅛	-0⅛	-0⅛	8.77
World Bank 8⅜ 99	1500	101	101⅛	-0⅛	0	8.40
World Bank 9 97	300	102⅞	103⅛	0	+0⅛	8.42
World Bank 9 93	300	102⅛	102½	0	0	8.18
World Bank 9¼ 98	300	104⅛	104½	-0⅛	0	8.53
World Bank 9⅝ 99	500	106⅝	106⅞	-0⅛	+0⅛	8.53
World Bank 9¾ 96	300	106⅛	106⅜	-0⅛	+0⅛	8.43

Average price change... On day 0 on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	91⅛	91⅝	-0⅞	-0⅞	8.15
Austria 6¼ 99	750	†93⅝	93⅞	-0⅞	-0⅛	7.70
Bk.Frgn.Econ.USSR 7 96	750	*†93¾	94¼	0	-0¼	8.19
Bank of Tokyo 5¾ 93	100	93¼	93¾	-1	-0½	8.09
Commerzbank o/s. 5⅜ 93	300	92⅞	93⅜	-0⅛	-0⅝	7.95
Credit Foncier 6⅛ 99	500	93⅜	93⅝	-0½	-0⅛	8.79
E.I.B. 6¼ 99	600	90½	91	-0¼	0	7.69
E.I.B. 6½ 99	300	†94⅛	94⅝	-0⅝	+1¼	7.33
E.I.B. 6⅝ 96	600	95⅛	95⅜	-0½	+0½	7.53
E.I.B. 6⅞ 95	300	96⅞	97⅜	-0¼	+0⅜	7.49
Euro.Coal& Steel 5⅞ 97	175	89⅞	90⅛	0	+0¼	7.73
Eurofima 6⅛ 96	100	91½	92	+0¼	+0½	7.90
Elec De France 5¾ 97	300	90⅛	90⅜	-0⅛	+1	7.43
Hydro-Quebec 6¾ 99	300	†93⅛	93⅜	-0½	-0⅛	7.74
Japan Dev. Bk. 5⅜ 95	300	†90½	91	+0¼	+0⅛	7.51
Japan Finance 5¾ 97	100	88⅜	88⅞	-0¼	-0⅞	7.87
I.A.D.B. 7¼ 99	300	†97	97½	-0⅞	-0⅛	7.66
Ireland 6½ 97	300	91⅝	92⅛	-0⅜	-0⅜	7.98
Ireland 7¼ 99	500	95⅞	96⅛	-0⅛	0	7.85
Malaysia 6¼ 94	150	93⅞	94⅛	0	+2	7.84
Nat. West BK. PLC 6 98	300	†88	88½	0	+0⅜	7.96
N.K.L. Finance 6¼ 95	200	†91⅛	91⅝	-0½	-1	8.10
Nippon Telg.&Tel. 6 95	400	†92½	93	-0½	-0¼	6.60
Oesterr. Kontbk. 5 93	300	92¼	92¾	-0⅜	-0½	7.75
Portugal 5¾ 92	150	93¾	94¼	-0¼	-1⅞	8.32
Portugal 6⅝ 95	150	95	95½	0	-0¼	7.68
Privatbanken 5¼ 93	150	92	92½	0	0	8.04
Royal Insurance 5½ 92	300	93⅞	94⅛	0	-0⅜	8.38
Turkey 6½ 95	500	†91⅞	92⅜	+0⅛	+0⅝	8.34
Union Bk.Finland 5½ 94	200	†90½	91	-0¼	+0⅛	8.22
World Bank 6 98	500	†88⅜	89	-0½	0	7.78
World BK. 6¼ 97	600	91⅞	91⅞	0	+0⅜	8.51
World Bank 6¾ 99	600	93½	93⅞	-0⅜	0	7.70

Average price change... On day -0⅜ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†90½	91¼	+0⅛	-0⅛	6.74
Asfinag 5 03	100	†87⅛	88	-0½	+1⅜	6.35
B.F.C.E. 4½ 98	200	†87¼	87¾	0	0	6.43
B.M.W.Fin.Neth. 5 13	150	†84½	86	+0¼	+0¼	6.21
Britannia B/S. 4¼ 94	100	†86	88	0	-1	7.75
CIR. Int. W/W 3 93	125	†89	89¼	0	0	6.44
Credit Lyonnais 4¾ 00	100	†86¼	87	-0⅛	-0⅛	6.51
E.I.B 4⅝ 98	150	†87½	88	0	+0⅛	6.53
Finn. Exp. Cd. 8¼ 92	75	†99¾	100¾	0	-0¼	8.13
Fletcher Chall. 4⅞ 98	150	†83½	83¾	0	-0⅛	7.58
I.A.D.B. 6 2004	200	†96	96½	-0⅛	-0⅜	6.40
Kobe City 4⅝ 98	150	†87	88	0	-0½	6.57
Leeds Perm. B/S. 4⅛ 93	200	†89	90	+0¼	0	7.76
Malaysia 5¼ 98	100	†84	84¼	-0⅞	-0⅜	7.85
Maxwell Comm.Crp. 5 95	150	†79	79¼	-0⅜	-0⅞	10.08
Nat.Bk. Hungary 5½ 94	75	†87½	88	-0¼	-1¼	8.58
Nationwide Ang.B/S. 4 93	200	†89	90	+0¼	+2⅞	7.46
Prov. Newfoundland 5 03	150	†84½	85	-0¼	-1¼	6.71
Thailand 4⅝ 95	200	†86½	87½	0	-0⅜	7.54
World Bank 5 03	150	†86½	87	0	+1	6.48

Average price change... On day 0 on week +0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99¾	100⅛	-0⅛	-0⅛	6.20
Canada 5⅜ 93	80	98⅝	99⅛	-0¼	-0⅛	5.96
Eurofima 5 1995	20	95¼	95¾	-0¼	-0⅛	5.99
E.I.B. 4⅞ 93	30	96⅜	96⅝	-0⅛	-0¼	6.08
Ireland 5⅛ 93	30	96⅜	96⅞	0	-0⅛	6.24
Norway 5⅛ 95	50	96⅝	96⅞	-0¼	-0⅛	5.84
Sweden 4⅝ 93	50	95½	95¾	-0⅛	0	6.05
World Bank 5⅛ 98	10	94⅜	95⅛	-0⅛	0	5.92
World Bank 7 94	20	103⅝	104⅛	-0⅛	-0¼	5.96

Average price change... On day -0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10⅛ 94 C$	150	96½	97	-0½	-1	11.14
Abbey Nat. 11⅝ 93 £	100	95⅜	96⅛	-0¼	+0¼	13.20
Aegon 7⅞ 92 FL	100	99⅞	100¼	+0¼	+0¼	7.90
Alg. Bk. Ned. 5⅞ 93 FL	200	93	93½	+0¼	+0⅜	8.15
Austria 7½ 94 ECU	100	93⅛	93⅝	-0⅜	-0¼	9.41
Bk.Nova Scot.14⅞ 90 A$	75	†98½	99½	0	+1⅞	0.16
Barclays Aus.13½ 91 A$	100	97⅞	98⅛	+0¼	+1¼	14.73
Belgium 8⅛ 94 Ecu	150	95⅝	95⅞	-0⅜	+0¼	9.40
BP Capital 9¼ 93 £	100	91⅝	92⅛	-0⅛	+0¼	12.81
British Airways 10 98 £	100	89⅜	89⅞	0	+0¼	12.05
Brit. Telecom 9½ 93 £	150	91⅜	91⅞	+0⅛	+0⅛	12.73
Comm.Bk.Aust. 12⅝ 93A$	100	†93⅛	93⅝	-0¼	+0½	15.07
Comm.Bk.Aus.13⅛ 94 NZ$	60	†104	105	-0¼	-0¼	12.39
Credit Foncier 9 96 Ecu	100	97⅞	98⅜	-0⅜	-0⅛	9.37
CrLocalFrance 9¼ 92Ecu	100	99¼	99¾	-0⅜	0	9.43
Dent.Bk.Aus. 13⅞ 93 A$	125	†96⅛	96⅝	+0½	+0⅝	14.63
Deutsche Bk.Fin. 15 94 A$	100	†102⅞	103⅛	+0⅛	+1⅛	13.97
E.I.B. 7 96 LFr	100	95	96	-0½	-1½	7.94
E.I.B. 7⅛ 99 FL	150	94⅝	95⅛	+0¼	+0⅝	7.89
E.I.B. 9 99 Ecu	150	98⅛	98⅝	-0¼	-0⅛	9.25
Eurofima 7⅝ 94 Ecu	100	94	94½	-0⅜	+0¼	9.34
Export Dv.Crp.8¾ 92Ecu	100	98⅛	98⅝	-0⅜	+0¼	9.49
Fed.Bus.Dv.Bk. 9 94 Ecu	100	98	98½	-0¼	+0¼	9.46
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†96⅛	97	-0⅞	-1	11.18
Fed.Bus.Dv.Bk.10½ 93C$	50	†98⅜	98⅞	-0½	-0¼	10.94
Ferr.Stato 7⅞ 93 Ecu	100	94⅜	94⅞	-0⅜	+0⅜	9.59
Ford Cr.Can.10¼ 93 C$	100	—	—	—	—	—
Ford Cred.Can.10⅞ 96C$	125	—	—	—	—	—
Ford.Cred.Fund.10⅛ 93£	60	93¼	94¼	0	+0⅛	12.77
G.M.A.C.Canada 11 3/494C$	100	101⅝	102⅛	-0½	-1⅛	11.14
Heineken 7⅝ 94 FL	150	101	101⅜	+0½	+0⅜	7.68
Hydro-Quebec 11 99 C$	400	101½	101⅞	-0⅞	-1½	10.70
Lloyds Bank 10⅛ 98 £	150	90⅛	90⅝	0	+0¼	12.13
Lloyds Bank 11⅞ 98 £	100	92⅞	93¼	-0¼	+0⅛	12.71
Montreal Tst.10⅛ 93 C$	100	†97⅞	98¼	0	-0⅝	11.41
Nat. Aus. Bk. 14⅛ 94A$	100	†98⅞	99⅜	0	+0⅝	14.98
New Zealand 9½ 93 £	100	90⅜	90⅞	0	+0¼	13.02
O.E.K.B. 10⅛ 99 C$	150	98	98½	-0⅝	-1½	10.53
Privatbanken 7½ 94 LFr	500	†96⅞	97⅜	-0⅞	-1⅛	8.38
Royal Bk.Scot.10⅝ 98 £	125	92	92½	-0⅛	+0¼	12.18
Saskatchewan 9⅞ 91 C$	150	†97⅛	97⅝	-0¼	-0½	11.63
Saskatchewan 10¼ 93 C$	200	97⅞	98¼	-0½	-1⅛	10.89
State Bk.NSW. 13⅞ 93A$	100	†96⅛	96⅝	+0⅛	+0½	15.14
Sweden 7½ 93 Ecu	250	93⅜	93⅞	-0⅜	-0¼	9.50
Sweden 15 94 A$	100	†102⅛	102⅝	-0¼	+0½	14.16
Toyota Mtr.Cr.11⅜ 92C$	150	100⅜	100⅞	-0⅜	-0½	11.00
World Bank 7⅛ 99 FL	300	†94½	95	+0½	+0⅜	7.92
World Bank 13⅜ 92 A$	100	†100¼	100¾	+0¼	+1½	13.05
World Bank 14⅛ 94 A$	75	100½	101	+0⅝	+1⅜	13.97
Zentrspk. 13⅛ 93 A$	75	†96⅛	96⅝	+0⅛	+0⅝	14.46

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.74	99.79	24/01	15.21
Bank of Greece 99 US	0¼	99.66	99.76	8/03	9¼
Belgium 91 US	0	100.16	100.26	21/02	8.81
Chelt.& Gloucester 94 £	.063	99.72	99.77	30/11	14.06
Credit Foncier 98 US	.063	99.88	99.98	20/04	8.31
Dresdner Finance 99 DM	.031	99.97	100.06	28/01	8.16
EEC 3 92 DM	0	100.01	100.11	22/02	6¼
Halifax BS 94 £	.1	100.04	100.09	9/02	15.16
Invt. In Industry 94 £	0¼	99.95	100.06	24/11	14.06
Leeds Perm. B/S. 94 £	0⅛	100.04	100.09	15/01	15.37
Milk Mkt.Brd. 5 93 £	0⅛	99.78	99.83	29/12	14.94
New Zealand 5 97 £	.07	100.05	100.15	22/11	14
Northern Rock 92 £	0½	99.81	99.86	20/01	5¼
State Bk. Nsw. 98 US	.188	100.01	100.11	11/02	8.81
Woolwich Equit.BS. 93 £	0⅛	99.90	99.95	15/01	15.37
Woolwich 5 95 £	0⅛	99.89	99.94	21/11	14.06

Average price change... On day -0.01 on week +0.00

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	117⅞	118⅜	+1⅝	5.92
Amer. Brands 7¼ 02 US	9/87	56.7	123⅞	124⅞	+2	-1.20
CBS, Inc. 5 02 US	4/87	200.	102½	103½	-0½	3.00
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486.	99⅛	100⅛	0	3.66
Primerica 5½ 02 US	4/87	66.75	74	75	+0⅝	70.71
Eng.China Clay 6½ 03 £	9/88	4.8	85⅛	86⅛	+0⅛	5.12
Fujitsu 3 99 US	5/84	1106.	208	209	-3	-2.99
Ladbroke 5¼ 04 £	6/89	7.1	100	101	+0½	146.90
LandSecs. 6¾ 02 £	6/87	6.72	83⅛	84⅛	+0⅛	14.61
Minolta Camera 2¼ 94DM	12/86	1004.	106	108	-0½	9.44
MCA Inc 5½ 02 US	10/87	69.62	104¼	105¼	+0⅝	8.16
Mitsubishi Bk. 3½ 04US	5/89	3266.	94⅛	95⅛	+0⅛	3.58
Next Plc 5¼ 03 £	11/87	4.3	94⅛	95⅛	+0⅛	328.30
Nishi Nipp.Bk.2⅞ 03 US	4/88	804.	139⅝	140⅝	+0¼	3.36
Omnicom Inc. 6 1/2% 04 US	10/89	28.	102⅞	103⅞	0	19.37
Queen Tateisi 2⅞ 02 US	4/87	1310.	279	280	-4	-0.47
Ranks Hovis 4⅞ 03 £	1/88	3.5	117⅛	118⅛	+0⅝	0.52
Redland 7¼ 02 £	1/87	5.4	98½	99⅛	+0⅛	2.41
Saatchi&Saatchi 6¼ 03 £	10/89	4.41	91	92	0	37.25
Silicon Graphics 8 04 US	6/89	23.18	115⅛	116⅛	+0¼	7.84
Sumitomo Bank 3⅛ 04 US	2/89	3097.	84⅞	85⅞	+0⅝	4.81
Texas Inst. 2⅞ 02 US	9/87	82.87	77⅛	78⅛	-0⅛	72.10
Utd.N'papers 8 04 £	10/89	8.77	112	113	+2¼	113.90
W.R.Grace 6¼ 02 US	9/87	42.12	90⅛	91⅛	+0⅝	31.41

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Fund management companies face tough Japan debut

By Michiyo Nakamoto in Tokyo

FOREIGN fund management companies in Japan are expected to be among the first new entrants into the country's huge investment trust business in over two decades, but there are worries that the Ministry of Finance may make the conditions of entry very tough.

In particular, a proposal that foreign companies can enter the investment trust business only by way of a 100 per cent subsidiary would make it difficult for these companies to make much headway in the Japanese market.

Lacking distribution systems of their own, the foreign companies want to link up with medium-sized Japanese brokers and life insurance companies, and the simplest way to do it would be through offering prospective partners a share stake in the trust business.

However, the ministry worries that a fund management group might invite in a bank, thus breaking the rule preventing banks and securities companies from entering each other's businesses.

An official at the Ministry of Finance said that a decision on the 100 per cent requirement had not yet been made. All decisions on conditions of entry and the number of licenses being offered will be made by the end of the year. The Ministry is then expected to begin accepting applications in the New Year and foreign firms which qualify could be in business early next year.

The decision paves the way for foreign entry into a sector that has been the sole preserve of a handful of domestic companies for the past 25 years, and where investment performance has been poor. Foreign firms which are at present allowed to sell only overseas registered investment trusts in Japan, have been hungrily eyeing the domestic market, the world's largest, for some time.

"We have been preparing to be able to do business when the final decision is made," said Mr Yoshio Hoshino, president of Jardine Fleming Investment Advisors (Japan), one of the 10 companies that initially expressed an interest.

Mr Hoshino said the wholly owned subsidiary requirement would severely restrict the company's ability to develop ties with domestic institutions. "If we can solve this problem, half of our work will already be done." Other concerns are how many licenses will be issued and the length of interval between initial and subsequent batches of licenses.

The practice of rationing licenses for foreign securities companies a few years ago caused resentment. Subsequently, the ministry dealt quickly with applications for investment advisory licenses.

World Bank makes co-financing flexible

Stephen Fidler on the organisation's plans to partially guarantee bond issues

THE FIRST bond issues carrying partial guarantees from the World Bank should emerge in the next month or so under a plan which significantly expands the scope of the World Bank's co-financing programme.

In co-financing, the World Bank lends or guarantees some element of a capital raising exercise, the bulk of which is provided by other sources such as bilateral aid, export credit agencies or private financial institutions. The Bank has arranged co-financings with private sources of finance for around two decades.

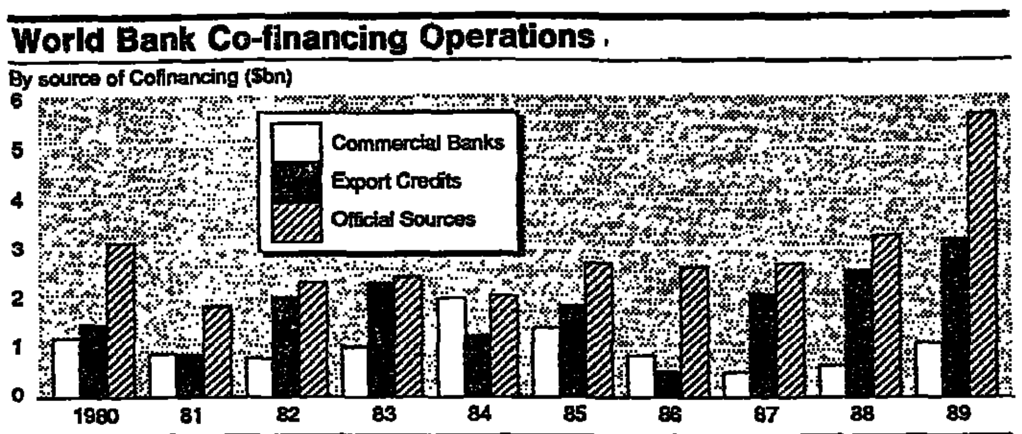
The informal arrangements of the early 1970s tended to give way in the later years of the decade to more formal parallel financings. Under these, the World Bank shared information with private lenders on the progress of a project and signed an optional default clause, which linked the bank loan to the separate World Bank financing. This signalled that the Bank would consider using its influence in the event of a commercial loan default.

The process received a spur in 1983 under the Bank's so-called "B" loan programme which had had two main objectives: to help the developing countries' access to the commercial financial markets and to improve the terms the banks were willing to provide.

But while co-financings as a whole have grown in volume in recent years, those involving private finance have tailed off. This has reflected banks' increased concern about lending to developing countries as a continued fall-out from the Third World debt crisis. It was compounded by the growth in importance of securities markets as a source of funds.

World Bank Co-financing Operations

By source of Cofinancing ($bn)



The new expanded co-financing operations or ECO are meant to broaden private co-financings beyond the syndicated lending market and give the Bank greater flexibility.

The programme was given the go-ahead by the Bank's board in July, and a progress report is expected by late next year. In the unlikely event that Bank participation exceeds $2bn, the board will again have to be consulted.

Guarantees are a sensitive issue at the Bank, which has avoided using explicit guarantees in its backing for the new international debt initiative launched in March by the US Treasury Secretary, Mr Nicholas Brady. It has also resisted strongly pressure that it should guarantee new loans to rescheduling countries.

Mr David Bock, director of co-financing and financial advisory services, says there is a sharp contrast between providing guarantees to banks trying to reduce their exposure to problem debtor countries, thereby transferring risk to the public from the private sector, and giving partial guarantees to credit-worthy borrowers which are meant to facilitate and enhance the terms on new commercial lending.

No country which has rescheduled its debt in the last five years will be eligible for the new programme, a restriction that leaves a fairly narrow group of countries: Hungary, Turkey and Cyprus in Europe, Algeria and Tunisia in North Africa, and, in Asia, Pakistan, India, Thailand, Indonesia, Malaysia, Papua New Guinea and China, where lending is currently suspended following the massacre in Peking this year. The only eligible country in Latin America is Colombia.

The "B" loan programme was limited in scope, with the Bank able to guarantee only the later principal maturities of a syndicated loan. From now on the Bank will be able to guarantee early maturities, or interest payments, on issues in the capital markets as well as on bank loans. For the first time, it will accept put obligations, offering investors the right to put securities back to the World Bank in certain eventualities. It will also grant standby credit lines to support undertakings made by the borrowing government.

The Bank usually provides a small part of any one financing in a project, its aim being to bring in the maximum private contribution for every World Bank dollar committed.

The Bank is sensitive to the possibility that its intervention may not always be desirable. For example, it may be cheaper to use aid funds if available. Or the Bank's participation might raise questions in the minds of bankers or investors about the borrower's credit standing, thereby obstructing the aim of speeding the borrowing country's return to the financial markets on its own behalf.

In the past, commercial bankers have unsuccessfully pressed the Bank to write a mandatory cross-default clause into its co-financing agreements. This means that the Bank would be compelled to call its own loans in default if the commercial loans suffered default.

The Bank instead offers optional cross default clauses – it will consider reviewing the problem with the borrower if commercial lenders are not getting paid on time. It argues anyway that the mandatory loan default clauses present in commercial loan agreements have seldom been used.

In any case, co-financings have an excellent record. There have so far been no defaults under the "B" loan programme although loans are outstanding to countries such as Mexico, Ivory Coast and Brazil.

According to Mr Bock, the Bank is actively pursuing several transactions. "I'd expect that in the next two or three months, there'll be one, two or three deals," he said.

Tokyo may license US brokers

JAPAN'S Ministry of Finance could grant bank branch licences by next spring to US brokerages that have met legal requirements, Reuter reported yesterday.

The ministry will review formal applications at any time from securities houses that meet the criteria, an official said. He declined to say when the MoF might start granting bank licenses, however.

Some US brokerages are talking with the ministry about how to meet Japanese legal and regulatory requirements to get bank licenses, the international finance bureau official said.

No US brokerages have formally applied for bank status, though some have submitted business proposals.

Four US houses – Morgan Stanley, Merrill Lynch, Goldman, Sachs and Salomon – have received permission to open representative offices of their bank subsidiaries in Tokyo.

A representative office, barred from doing domestic bank business, is the first step towards becoming a bank.

To win bank status, securities firms must meet legal and regulatory criteria, including a rule that a bank subsidiary cannot be more than 50 per cent owned by its parent.

Foreign brokerages must also prove they have adequate banking expertise and show that banking and securities staff will not overlap within the organisational structure.

European Investment Bank launches £200m bulldog

THE EUROPEAN Investment Bank yesterday braved the sterling foreign bond market, as doubts about US monetary policy pushed international bond markets generally into retreat, **Stephen Fidler writes.**

The Bank brought a £200m "bulldog" bond which reopened a £100m issue it brought to market in September 1984. The issue was brought by Barclays de Zoete Wedd, with BNP Capital Markets as co-lead manager.

The senior unsecured paper matures in September 2004, carries a 10⅜ per cent coupon and was priced at 95⅜ plus accrued interest. The bonds become interchangeable with the earlier tranche on their December 11 payment date.

At launch, the issue was priced at 80 basis points over the Conversion 9½ per cent gilt of 2004, compared with the 77 basis point premium at which the bonds were said to be trading on Monday night. In 1984, they were launched at 85 basis points over.

The deal was bought by BZW, who as a market maker in bulldog bonds, appeared well in control of the issue and preserved the spread to gilts throughout the day.

However, it was not the easiest of days to bring such an issue, with the government bond market so weak, and worries about sterling seem likely to have frightened off most foreign investors. UK institutions were said to be taking the

INTERNATIONAL BONDS

paper, but not in such large amounts as usual. BZW reported some buying because the absolute yield of 10.97 per cent was attractive to some investors. There is, it said, a sharp drop in the sterling yield curve for maturities of 15 to 20 years. BZW was generally thought to have been left with significant amounts on its books last night. Because it was a bought deal and reoffered at a fixed price, BZW was not legally compelled to declare its unsold position.

The presence of BNP in the transaction attracted some comment, suggesting it was there as an arranger of a swap into French francs. BZW said the proceeds of the 15-year issue "have not been and will not be swapped". Nevertheless, BNP's position seems to be linked to another related transaction, not disclosed.

EIB also launched an issue in the Swiss franc bond market, a 12-year issue carrying a 6¾ per cent coupon, a price of 101¾. Kreditbank lead managed the issue, its first this year, after winning the mandate in a competitive bid. It was regarded as tightly-priced and the maturity long for the market, but it was trading within its selling concession, being bid at a discount of 2 to its issue price.

Abbey National, the UK financial services group, brought its second issue in the Swiss market this year. The SFr75m, four-year issue carried a 6¾ per cent coupon and a 101 issue price.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Sumitomo Realty and Dev.◆	1bn	(3⅛)	100	1993	2¼/1½	Daiwa Europe
Nippon Oil Co.◆	500	(3⅛)	100	1993	2¼/1½	Nomura Int.
Towa Real Estate Dev.◆	150	(3½)	100	1993	2¼/1½	Nomura Int.
St. George's Finance(f)◆	100	(f)	100	1996	20bp	UBS Phillips & Drew
Svenska Handelsbanken◆	20	7⅝	100.825	1990	⅛/⅛	Sanwa Int.
Battle Mountain Gold Co.(a)§◆	100	6	100	2005	2½/1½	Merrill Lynch Int.
STERLING						
EIB(e)◆	200	10⅜	95⅜	2004	n/a	BZW
AUSTRALIAN DOLLARS						
Bowater Industries Plc◆	100	16¼	101⅞	1992	1½/1	J.P. Morgan Secs
SWISS FRANCS						
EIB(b)◆	125	6¾	101¾	2002	2¼	Kreditbank (Suisse)
Pokka Corp.(c)★★§	100	6¼	100	1994	1½	Credit Suisse
Abbey National Treas.(b)★★◆	75	6¾	101	1994	1¾	SBC
D-MARKS						
Aichi Electric Co.◆	70	(1⅜)	100	1994	2¼/1½	Deutsche Bank
YEN						
C.Itoh Finance (Europe)(d)◆	10bn	6⅛	101½	1993	1⅞/1⅛	Yamaichi Int. (Europe)

★★Private placement. ◆With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Conversion price $20⅞. Conversion premium 17.86% over close of $17⅞. Call after 3 and 4 years at 102, 101 in year 5. b) Non-callable. c) Yield to put 3.306%. d) Redemption linked to Nikkei stock index. e) Fungible with £100m bond issued Sept. 1984. Issue price plus accrued interest. f) 1/4 over 6-month Libor. Average life 6 years. Half of principal amount will be retired in Dec. 1994.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Nov 28 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon Nov 27 Index No.	Fri Nov 24 Index No.	Thu Nov 23 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (205)	865.90	+0.7	13.03	4.90	9.41	29.58	859.65	861.58	863.70	782.57
2	Building Materials (28)	1031.44	+0.2	15.43	5.45	8.08	36.22	1029.40	1034.83	1034.92	968.77
3	Contracting, Construction (37)	1392.39	+0.8	17.81	5.56	7.37	56.19	1380.90	1380.29	1385.64	1482.75
4	Electricals (10)	2427.14	+1.5	11.25	5.12	11.17	83.50	2391.27	2397.11	2420.24	2349.72
5	Electronics (30)	1899.25	+0.2	9.42	3.72	13.66	51.54	1896.09	1898.11	1901.35	1714.28
6	Mechanical Engineering (53)	453.19	+1.1	12.42	5.02	9.81	15.76	448.10	449.57	450.49	412.88
8	*Metals and Metal Forming (6)*	453.06	+0.7	26.03	6.61	4.33	22.51	449.75	456.99	457.44	481.24
9	Motors (17)	357.49	+1.0	11.20	4.88	10.46	11.84	354.13	353.65	352.40	269.89
10	Other Industrial Materials (24)	1633.51	+1.1	10.19	4.60	11.57	54.13	1615.65	1612.98	1623.57	1315.54
21	CONSUMER GROUP (185)	1260.74	+1.0	8.85	3.55	14.19	31.74	1248.80	1250.78	1246.61	1037.46
22	Brewers and Distillers (23)	1425.98	+0.4	9.46	3.47	13.16	29.39	1419.82	1418.63	1406.81	1126.83
25	Food Manufacturing (20)	1099.95	+0.6	9.43	3.97	13.32	30.30	1093.22	1098.30	1100.72	924.37
26	Food Retailing (15)	2254.14	+1.4	9.35	3.15	14.12	49.99	2223.86	2233.52	2240.86	1819.42
27	Health and Household (14)	2591.31	+1.5	6.10	1.89	19.52	44.72	2553.56	2537.90	2529.75	1804.62
29	Leisure (35)	1560.70	+0.8	8.36	3.72	14.72	41.42	1548.85	1556.37	1564.10	1377.80
31	*Packaging & Paper (14)*	535.60	+0.5	12.38	5.39	10.19	18.37	532.84	533.15	538.80	527.67
32	Publishing & Printing (18)	3652.29	+0.9	8.59	4.80	15.06	119.20	3618.34	3626.52	3626.39	3329.76
34	Stores (32)	772.44	+1.0	11.25	4.82	11.57	25.94	764.73	769.54	757.29	716.51
35	Textiles (14)	498.56	+1.0	11.52	5.93	10.52	21.23	493.52	502.10	502.39	474.87
40	OTHER GROUPS (95)	1123.49	+0.7	10.73	4.64	11.29	31.95	1115.79	1114.78	1116.32	890.69
41	Agencies (17)	1512.39	+1.3	6.96	2.41	17.64	27.01	1493.42	1490.68	1494.57	1029.20
42	Chemicals (22)	1189.43	+0.2	12.77	5.37	9.21	47.50	1186.82	1190.09	1180.28	1002.69
43	Conglomerates (14)	1640.07	+0.8	10.59	5.23	11.14	39.29	1626.54	1613.58	1616.38	1263.58
45	Transport (13)	2156.32	+1.4	11.05	4.45	11.55	68.85	2126.81	2119.53	2121.83	1882.89
47	*Telephone Networks (2)*	1094.72	+0.7	11.60	4.68	11.21	22.38	1087.15	1083.57	1093.63	987.67
48	Miscellaneous (27)	1844.63	+0.3	9.51	4.45	11.86	64.78	1838.56	1851.62	1849.82	1183.41
49	INDUSTRIAL GROUP (485)	1132.67	+0.8	10.42	4.20	11.83	32.16	1123.43	1124.57	1123.97	945.06
51	Oil & Gas (15)	2244.31	......	9.65	5.11	13.70	96.40	2244.98	2232.97	2221.21	1707.34
59	*500 SHARE INDEX (500)*	1225.66	+0.7	10.31	4.33	12.06	37.40	1217.15	1217.27	1215.79	1009.92
61	FINANCIAL GROUP (121)	797.05	+1.2	–	5.28	–	29.23	787.74	783.47	784.35	686.39
62	Banks (9)	828.04	+0.7	20.83	6.04	6.31	35.17	821.94	819.98	819.77	677.25
65	Insurance (Life) (8)	1345.78	+1.2	–	4.94	–	47.56	1329.75	1315.88	1312.39	924.28
66	*Insurance (Composite) (7)*	673.53	+2.0	–	5.61	–	28.34	660.31	655.12	652.91	507.48
67	Insurance (Brokers) (7)	1111.87	+0.5	6.78	5.65	19.64	47.89	1105.95	1092.43	1070.66	985.54
68	Merchant Banks (11)	443.88	+1.0	–	3.87	–	10.85	439.41	421.70	420.68	328.33
69	Property (49)	1158.00	+1.6	7.86	3.64	16.13	26.21	1139.69	1144.72	1160.22	1280.63
70	Other Financial (30)	314.89	+0.7	12.97	6.81	10.11	15.08	312.77	311.42	312.56	358.02
71	Investment Trusts (69)	1244.17	+0.5	–	2.81	–	24.78	1237.79	1233.02	1229.34	914.22
81	Mining Finance (1)	677.48	+0.2	11.02	3.98	10.20	22.25	676.20	677.48	678.77	562.86
91	Overseas Traders (7)	1423.38	+0.8	9.71	5.68	11.80	60.11	1411.67	1407.19	1405.61	1355.85
99	ALL-SHARE INDEX (698)	1123.52	+0.8	–	4.44	–	35.14	1115.01	1114.00	1113.02	930.12

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 27	Nov 24	Nov 23	Nov 22	Nov 21	Year ago
FT-SE 100 SHARE INDEX‡	2242.0	+17.7	2246.8	2229.7	2224.3	2222.4	2220.5	2192.3	2185.1	1786.9

FIXED INTEREST

	PRICE INDICES	Tue Nov 28	Day's change %	Mon Nov 27	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	116.79	+0.03	116.75	–	10.50
2	5-15 years	129.58	–0.18	129.82	–	11.60
3	Over 15 years	137.89	–0.34	138.36	–	12.71
4	Irredeemables	156.23	–0.15	156.46	–	13.42
5	All stocks	127.82	–0.13	127.98	–	11.52
	Index-Linked					
6	Up to 5 years	139.76	....	139.75	–	2.79
7	*Over 5 years*	137.37	–0.02	137.39	–	3.21
8	All stocks	137.43	–0.02	137.45	–	3.15
9	Debentures & Loans	106.19	–0.20	106.41	–	10.15
10	Preference	85.29	+0.15	85.16	–	5.36

	AVERAGE GROSS REDEMPTION YIELDS		Tue Nov 28	Mon Nov 27	Year ago (approx.)
	British Government				
1	Low	5 years	10.18	10.15	10.40
2	Coupons	15 years	9.80	9.79	9.52
3		25 years	9.71	9.69	9.04
4	Medium	5 years	11.26	11.24	10.80
5	Coupons	15 years	10.22	10.17	9.75
6		25 years	9.84	9.80	9.26
7	High	5 years	11.40	11.39	10.95
8	Coupons	15 years	10.41	10.37	9.88
9		25 years	9.98	9.93	9.31
10	*Irredeemables*	†	9.77	9.75	8.91
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.83	3.82	3.59
12	Inflation rate 5%	Over 5 yrs.	3.73	3.72	3.73
13	*Inflation rate 10%*	*Up to 5 yrs.*	2.95	2.94	2.40
14	Inflation rate 10%	Over 5 yrs.	3.55	3.55	3.56
15	Debs &	5 years	12.77	12.66	11.25
16	Loans	15 years	12.39	12.36	11.01
17		25 years	12.05	12.05	10.77
18	Preference	†	10.73	10.76	10.29

‡Opening index 2229.7; 10 am 2237.2; 11 am 2246.5; Noon 2243.3; 1 pm 2244.6; 2 pm 2246.1; 3 pm 2243.3; 3.30 pm 2244.3; 4 pm 2243.6
(a) 11.09am (b) 9.00am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	14	69	19
Corporations, Dominion and Foreign Bonds	1	10	31
Industrials	439	275	885
Financial and Properties	219	118	339
Oils	24	24	45
Plantations	1	1	7
Mines	14	75	73
Others	64	87	102
Totals	776	659	1,501

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid Up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price	+ or –	Net Div	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or –
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
98.94	F.P.	20/10	99⅛	97	British Inv. Tst. 11⅛pc Sec. Db 2012	97	–⅛
100p	F.P.	22/12	102p	98p	Caird Grp. 7p Cm. Cv. Pf. 2009 10p	98p	–1
100p	F.P.	17/11	103¾p	72p	City Site Ests. New 5¼pc Cv Rd Pf	72p	
99.68	F.P.	–	100⅛	99	Foreign & Col. 11⅛pc Db. 2014 £100	99	–⅛
‡	F.P.	–	51p	46p	Gartmore Am. Secs. Zero Div Pf 5p	50p	
–	F.P.	8/12	104p	97p	I & S Optimum Income Tst Zero Div Pf	104p	
100	F.P.	–	103	80½	Leveraged Opportunity Tst Cv Uns Ln	82½	
100p	F.P.	–	100p	93p	MB Grp. 7.25p Cv. Cm. Rd. Pf. 15p	94p	+1
‡	F.P.	–	88p	71p	PFG Hodgson Kenyon 6¾pc Pf. '91-2001	76p	
420p	P.P.	10/7	138p	96p	Tiphook Units	107p	+4

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or –
111	Nil	–	13pm	10pm	‡Allied Ins. Brokers10p	13pm	
12	Nil	–	3pm	1pm	‡AmBrit Intl. 5p	1pm	
30	Nil	–	7pm	¼pm	‡CCS Group	1¼pm	
40	Nil	–	11pm	7pm	CRT Group 10p	9pm	+1
70	Nil	–	12pm	6pm	European Leisure	8pm	+2
15	Nil	29/12	2½pm	1½pm	‡HNOCO 10p	2¼pm	
95	Nil	5/1	87pm	50pm	Ingham (George) 10p	50pm	
10	Nil	27/12	7pm	4pm	‡Optim Group 10p	4½pm	
25	F.P.	29/12	41	28	‡WB Industries	28	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¥ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ◆ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Nov 6
- Last Dealings Dec 1
- Last Declarations Feb 22
- For settlement Mar 5

For rate indications see end of London Share Service

Calls in Bear Brand, Klark-Teknik, Tuskar Res., Whessoe, Aviva Pet., Century Oils, Owners Abroad, Burns-Anderson, EFM Dragon Trust. Put and call in Loraine Gold Mines.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allid Lyons (*467)	460	23	47	53	17	21	32
	500	9	26	35	46	47	53
	550	2	11	–	90	90	–
ASDA (*131)	120	16	21	25	4	6	9
	130	9	15	20	8	12	13
	140	4½	10	15	14	17	19
Brit. Airways (*205)	180	29	37	40	1	33	5½
	200	13	23	27	5	8	12
	220	5	11½	17	17	19	23
Brit Com (*92)	90	13	17	22	9½	12	15
	100	8	13	16	15	18	20
SmKl Beecham A (*571)	541	42	–	–	8	–	–
	550	–	58	78	–	19	23
	600	13	32	–	35	41	–
Boots (*260)	240	28	40	43	3	6	10
	260	14	27	31	11	14	17
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] (*295)	300	15	31	35	13	16	21
Ladbroke (*291)	280	–	37	41	–	11	17
	300	13	25	31	16	20	26
Land Secur (*500)	460	53	72	80	3	8	14
	500	25	44	56	16	21	27
M & S (*195)	180	21	29	32	2½	3½	6
	200	7	16	19	9	11	13
STC (*270)	260	21	30	38	6½	14	15
	280	10	20	30	17	22	25
Sainsbury (*257)	240	23	33	39	4	6	7
	260	10	20	25	10	13	15
	280	3½	11	15	27	27	28

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Shell Trans. (*446)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Storehouse (*117)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar (*339)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utd. Biscuits (*350)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unilever (*672)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ultramar (*338)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] (*213)	220	10	14	–	13	16	–
Racal (*244)	240	–	–	38	–	–	19
	250	16	–	–	17	–	–
R.T.Z. (*528)	500	–	62	77	–	18	23
	542	24	–	–	27	–	–
Scot. & New (*355)	330	40	53	63	15	17	27
	360	24	40	47	30	34	40
Tesco (*187)	160	32	36½	41	2	3¼	4¼
	180	16¼	22¼	27¼	6	8¼	9½
	200	6½	12¼	17	17½	19	20

Option		Jan	Mar	Jun	Jan	Mar	Jun
Abbey Nat. (*158)	140	24	25	29	2	3	4
	160	7	11	12½	7	10	13

Option	Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2244)

	2000	2050	2100	2150	2200	2250	2300	2350
CALLS								
Nov	250	200	150	101	52	10	1½	½
Dec	267	220	175	130	88	56	31	17
Jan	285	240	198	155	119	90	63	44
Feb	307	265	223	183	142	112	86	60
Jun †	365	–	298	–	217	–	163	–
PUTS								
Nov	½	½	1	1½	3½	14	57	107
Dec	7	11	15	23	36	55	85	125
Jan	17	22	29	40	56	77	106	137
Feb	26	33	42	56	73	95	117	149
Jun †	45	–	67	–	96	–	140	–

November 28 Total Contracts 33,990
Calls 19,666 Puts 14,324
FT-SE Index Calls 4,330 Puts 7,654
*Underlying security price. † Long dated expiry mths

UK COMPANY NEWS

Benefits begin to flow from Presto conversion programme

Argyll advances by 34% to £112m

By Maggie Urry

ARGYLL, the Safeway, Presto and Lo-Cost food retailer, met best expectations with its interim results yesterday.

Pre-tax profits after exceptional debits relating to its programme of converting Presto to Safeway stores, rose by 34.1 per cent to £111.8m. Exceptional items were £6.8m (£16.8m). The shares rose by 3½p to 205p.

Mr Alistair Grant, chairman and chief executive, said that the food retail market had been largely unaffected by pressures on consumer spending.

Group sales in the 28 weeks to October 14 rose 11.5 per cent to £2.1bn. Operating profits were 17.1 per cent higher at £104.7m, and operating margins rose from 4.9 per cent to 5.2 per cent.

Mr Grant said the group acquired Safeway in February 1987 and was now nearing the end of the first phase of extracting initial benefits from converting its larger Presto stores to the Safeway format.

However, he expected further benefits as Safeway concentrated in the 1990s on investing in better stores, information technology and systems, new product development and consumer marketing.

The group would also begin to see benefits from the European Retail Alliance, formed between Argyll and continental food retailers Ahold of the Netherlands and Casino of France. Mr Grant said tangible benefits would begin to appear in the next financial year and could represent 2-3 per cent of sales in the following financial year, mainly from shared efficiencies, such as joint buying.

Mr Grant also said that Argyll had decided not to convert 100 of its Presto stores in Scotland and the north-east of England to the Safeway and Lo-Cost formats. He said that these stores were generally too small to be successful Safeway shops, and that the Presto chain name was a good one in these areas.

These Presto shops could be serviced from the Safeway distribution network and sell Safeway own-label products. Although the group would forgo the extra margin which would have been obtained by converting the larger stores, this would be more than made up by the savings of capital costs which would have been necessary to convert the stores and build a new distribution depot.

Mr Grant stressed that even without converting these Presto stores, the proportion of Safeway's sales area in Scotland and the north-east was higher than the percentage of the UK population living in those areas.

During the half-year, Safeway's sales increased by 37 per cent to £1.41bn, with 32 per cent of the gain coming from new stores and converted Presto stores. The rest of the improvement came from price inflation with no volume growth in like for like stores.

Argyll's interest receivable figure rose from £10.8m to £13.9m. The group had an extraordinary gain of £3.9m from the increase in the price paid to Distillers shareholders by Guinness following a Takeover Panel ruling. This also generated interest of £2.1m, included in interest receivable.

Group earning per share after exceptional items and on an actual tax charge rose 37 per cent to 8.6p, and the interim dividend is being lifted by 16.7 per cent to 2.45p.

See Lex

Leeds Grp profits fall £1.4m to £3.4m

PROFITS of Leeds Group, the textile processor, continued to fall in the second six months of the 1988-89 year and for the full 12 months to end-September emerged £1.4m lower at £3.4m pre-tax.

Turnover fell from £29.1m to £27.53m and after tax of £1.14m (£1.7m) earnings worked through 9.2p lower at 22.6p.

The dividend, however, is being stepped up by 0.5p to 8.5p via a final of 5.8p (5.3p).

Mr Robert Wade, the chairman, also announced that the group had entered into a conditional agreement to acquire the Langholm Dyeing Co and PD Yarns from EWM Investments and the Edinburgh Woollen Mill for an initial £2.9m.

N American Trust asset value up 31%

Northern American Trust, part of the Dunedin stable of investment trusts, yesterday announced that net asset value per share rose by 30.6 per cent to 619.5p in the year to end-October. The final dividend is 5.5p, up from 4.85p in the previous year, and making a total of 7.5p (6.25p) for the year.

Strong demand and higher prices lift Shanks & McEwan

By Vanessa Houlder

STRONG DEMAND and increased prices helped Shanks & McEwan to increase its pre-tax profits by 27.4 per cent from £6.5m to £8.3m for the six months to September 30. Turnover increased by £3.9 per cent from £40.3m to £58m.

Construction services increased its turnover by 31 per cent compared with the 56 per cent increase in waste disposal turnover.

During the period capital expenditure totalled £13.3m of which £4.5m was spent on the acquisition of five businesses involved in waste collection, landfill and transfer stations. Its overdraft in September was £900,000.

The company said its goals were to acquire more quality landfill sites, increased its use of technology, move towards specialist waste markets and to expand into major regional centres of population. Shanks existing operations are mainly near Glasgow.

The construction division which is focused on road construction, water and sewage, had a good year and is expected to remain buoyant, helped by government plans for expenditure on the infrastructure.

The tax charge, which previously was reduced by capital allowances on expenditure, was increased from 30 per cent to 34 per cent.

No further major increase is expected.

Earnings per share increased by 20 per cent from 21.9p to 26.3p. Dividends rose by 21.4 per cent to 8.5p (7.0p).

● COMMENT

Shanks & McEwan bills itself as the Rolls-Royce of waste disposal companies and as such, it expects nothing but benefits from the forthcoming Green Bill. It already meets exacting standards and so new legislation should merely serve to close down less reputable competitors, raise prices and give it access to local authority business. Its quality image also extends to its earnings which the company has pledged to grow at about 20 per cent per year. Shanks duly satisfied expectations yesterday and ther shares went up from 1390p to 1413p. This puts the shares on a rating of 27 assuming it makes profits of £17.3m this year. Is this justified or does it still reflect the vestiges of green fever that reached a peak midway through the year? Supporters of the latter view can point to the shares 23 per cent fall from their giddy peak of £18 this summer and the large gap between the rating and the likely earnings growth. That said, waste management offers prospects of tremendous growth and given Shanks' pre-eminent position and the thin market in the shares they are at least a long-term hold.

Circaprint falls to £0.5m

CIRCAPRINT HOLDINGS, the USM-quoted manufacturer of printed circuit boards, ran into losses in the second half of 1988-89.

After returning a pre-tax profit of £546,000 for the first six months to end-February, the outcome for the full year is a profit of £510,000, a drop of £645,000 on the previous year.

The board while confident of the medium and long term, warn that the results for the current year will be depressed.

Turnover for the period was little changed at £14.22m (£14.06m) and after a tax credit of £190,000 (£407,000 charge) earnings per share are down from 15.7p to 13.3p. The dividend in unchanged at 2.4p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends.

TODAY

Interims- BPB Industries, Caledonia Inv, Dawson Intl, FKI, Foster (John) & Sons, Porter Chadburn, Select Appointments, Trevian, Trimoco, Vosper Thornycroft.

Finals- Bass, Dundee & London Inv, Hanson, Kwik Save, Multitrust, Parkway, Perpetual, TSB Channel Island.

FUTURE DATES

Interims-

C H Industrials	Dec. 15
Campbell & Armstong	Dec. 5
Creighton Neutrally	Dec. 12
Dalepak Foods	Jan. 17
Embassy Propery	Dec. 6
General Electric	Dec. 5
In Shops	Dec. 7
MS Intl	Dec. 7
Plysu	Nov. 30
Scottish & Newcastle	Dec. 11
Smithkline Beecham	Dec. 7
Stewart & Wright	Dec. 13
Tams (John)	Dec. 6
Umeco	Dec. 6

Finals-

Airtours	Dec. 11
Chemring	Dec. 12
Grand Met	Dec. 7
New Zealand Inv	Dec. 5

Continental Assets Trust seeks £17.8m via placing

By Nikki Tait

CONTINENTAL ASSETS Trust, a small investment trust specialising in smaller companies and "alternative markets", yesterday announced plans to raise a further £17.8m after expenses.

This is the second specialist European trust to seek new money recently: F&C Eurotrust raised around £20m in September via a rights issue. Like the F&C fund, the Ivory & Sime-managed Continental Assets Trust has been trading at a premium to underlying net assets recently – a rare occurrence in the investment trust sector.

The fund-raising will be achieved by a conditional placing of new shares with warrants attached. Existing shareholders in the trust, however, are entitled to first refusal on the new shares under an open offer.

A total of 9.6m new shares and 1.92m warrants are being issued, in units comprising one share and one-fifth of a warrant. The price is 190p per unit, and the units are available in multiples of five.

Existing shareholders can apply for 10 units for every 15 ordinary shares or 15 warrants held at present. European Asset Trust, also in the Ivory & Sime stable, holds a quarter of Continental's shares and has irrevocably agreed to take up its entitlement.

Continental Assets Trust says that fully-diluted net asset value per share stood at 170.38p on November 24. It adds, however, that the notional stockmarket value of the new units stood at 208.9p on the same date, suggesting that they are being offered at a discount of around 8.9 per cent.

The trust says that the money is being raised to take advantage of new opportunities in Europe. It points, in particular, to the greater possibilities in "alternative markets" such as the Dutch Parallel Market, the French "Second Marché" and the German Geregelter Market. It also notes that it does not have representation in the likes of Austria, Denmark, Finland, Sweden or Switzerland, but concedes that investment situations in some smaller countries can be difficult to find.

Fired Earth £7.4m placing on main market

By Vanessa Houlder

FIRED EARTH TILES a retailer of high quality hand made tiles is joining the main market in a placing that values it at £7.41m.

The company abandoned its original plan to join the Unlisted Securities Market following the Stock Exchange's proposal to lower the entry requirements of the market.

The company imports and sells hand made tiles costing up to £100 per square yard. It has recently introduced a new range of machine made tiles that cost between £10 and £20 per square yard. The initial product range of terracotta floor tiles has been enlarged to include slate, stoneware and ceramic wall and floor tiles and now comprises 45 lines of tiles.

Stock Beech Securities is placing 700,000 shares at 130p. Dealings are expected to start on December 4.

The company has earmarked £1m for new offices and warehouses.Fired Earth made pretax profits of £747,000 (£307,000 in 1988) is forecasting pre-tax profits of £950,000 for 1989.

Rock chief to quit in the New Year

By John Riddling

Mr Oswald Dockery announced yesterday that he was resigning as chairman of Rock, the London-based component distribution group which has recently suffered from shareholder dissent.

Mr Dockery, who is being replaced by Mr John Carr, formerly chairman of Cowan de Groot, an importing and distribution company, and Windsor, an insurance broking company, said that his decision was based on the best interests of shareholders.

Mr Dockery said that "the first crucial stage in restructuring Rock has been accomplished." He added that there was a need for the shareholder base to be firmer and that he believed Mr Carr would bring institutional support.

Mr Dockery will leave the board in January but will retain his stake of about 2 per cent in the company.

28.8% of Caird rights taken up

By Vanessa Houlder

Caird Group yesterday announced that 28.8 per cent of its £34.5m rights issue had been taken up.

The issue, which took the form of convertible preference shares was made on a two-for-one basis.

The purpose of the rights issue was to eliminate Caird's borrowings of £24m on which it paid interest at 16.5 per cent.

Cupid profit up 19%

Cupid, the bridalwear and nursery products group which moved up from the third market to the USM last month with a placing,reported an 18.7 per cent increase from £171,000 to £203,000 in pre-tax profits for the half year to September 30.

Turnover in the period jumped 65 per cent to £2.9m (£1.7m). Earnings per share fell to 5.78p (6.34p) after tax of £69,000 (£60,000).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied-Lyons ....int	5.65	Feb 23	5	-	15
Argyll Group ....int	2.45	Feb 26	2.1	-	6.2
Century Oils ....int	1.75	-	1.75	-	6
Chemoxy Intl ....int	3.5p	-	2.6	-	8.8
Circaprint§ ....fin	2.4	Jan 29	2.4	2.4	2.4
Elga Group ....int	0.5	Feb 16	0.4	-	1.5
Fairline Boats ....fin	12	Jan 26	9.5	18.5	13.5
Global Group§ ....fin	nil	-	1.75	nil	1.75
Hambros ....int	3.6	Jan 15	3.3	-	10
Leeds Group ....fin	5.8	-	5.3	8.5	8
Radio City § ....fin	7	-	6	10	6
SAC Intl § ....fin	3	Jan 30	2.5	4.5	4
Sanderson Elec §.....fin	5.4	-	3	7.5	3
Shanks & McEwan ..int	8.5	-	7	-	19
Southnews § ....int	1.6	Jan 18	1.6	-	4.8
Verson Intl ....int	0.21	-	0.175	-	0.575
Young (H) Hldgs ......fin	4‡	Jan 17	3	6	4.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¢Third market. ‡For 14 months.

UK COMPANY NEWS

All divisions show 'healthy increase' in profits

Allied-Lyons 14% ahead at £260m

By Philip Rawstorne

ALLIED-LYONS, the food and drinks group, yesterday reported pre-tax profits of £260m, up 13.5 per cent from £229m, for the 28 weeks ended September 16.

The company, which has made an agreed £207m offer for Dunkin' Donuts, the US coffee and doughnuts chain, confirmed that it was also bidding for the wines and spirits business of Whitbread, the rival UK brewer.

Allied's half-year results, on increased turnover of £2.45bn (£2.27bn), were in line with market forecasts. Fully diluted earnings per share rose from 19p to 20.9p. The interim dividend is lifted 13 per cent to 5.65p (5p).

Sir Derrick Holden-Brown, chairman, said that all divisions had shown "a healthy increase" in profits during the first half. "There is no doubt that in the remainder of the year our business in the UK will be affected by the current squeeze on consumer spending," he added, "but we expect further satisfactory profits growth ...and we remain confident of the long term outlook."


Sir Derrick Holden-Brown, chairman, (left) and Richard Martin, vice-chairman and chief executive

Allied's shares fell 13p but recovered to close 5p down at 467p. Analysts are forecasting full year profits of £560m and a prospective p/e rating of 10.1.

Trading profits on beer and retailing, boosted by the hot summer, increased by 14.7 per cent to £133m. Castlemaine, Lowenbrau and Swan lagers all increased sales volume substantially, and Tetley Bitter consolidated its position as the UK's leading bitter brand.

Hiram Walker-Allied Vintners, the wines and spirits division, lifted trading profits by 13 per cent to £139m with growth in all key brands.

Mr Richard Martin, Allied's vice-chairman and chief executive, reported a promising start to the joint venture with Suntory in Japan. Sales and profits were still a long way behind the European and North American markets, he said. "But for the future we see the Japanese market providing the most rapid sales growth and within that region we expect to be the fastest growing major wines and spirits company over the next five years."

Allied now owns or controls distribution for 88 per cent of its turnover worldwide.

Trading profits of the food division rose 9.3 per cent to £47m, the main contributor being beverages, with Tetley the world's number two tea brand, and European bakery.

As part of the refocusing of the division, Embassy Hotels and J L Catering have been transferred to the beer and retailing division where the businesses are being further reviewed; and Normand, a motor vehicle business, is being sold.

Corporate overheads are also being tackled by the closure of the regional US headquarters as well as that of Cadby Hall, the London headquarters.

See Lex

Saatchi & Saatchi sells offshoot for $5m

By Alice Rawsthorn

SAATCHI & SAATCHI, the troubled marketing group, has sold Cleveland Consulting, one of the management consultancies it put up for sale earlier this year, for a total of about $5.24m (£3.38m) roughly the same price it paid for the business over two years ago.

Saatchi, which originally intended to become a leading player in the international consultancy field, put its consultancy division on the market in June. Initially it hoped to sell it as a single unit by the end of the year.

But Saatchi has found it difficult to find buyers for the consultancies. So far it has disposed of one business, Gamma International, which was sold to Groupe André of France for FFr83m (£8.6m) earlier this autumn. Cleveland is the second consultancy sale to be announced. Saatchi has not yet sold any of the larger businesses.

Cleveland, which was bought for about $5m in March 1987, has been sold to Computer Sciences Corporation. Saatchi has sold the company, which made a loss in its last financial year, for $12.74m. But this will be offset by payments of up to $7.5m from Saatchi.

Saatchi, once one of the stars of the London stockmarket, is now haunted by bid speculation. Analysts anticipate a plunge in pre-tax profits from £138m last year to less than £60m when its results for the year to September 30 come out next Wednesday. There is also concern that the group could report a loss for the year after restructuring costs.

Saatchi's shares rose by 1p to 296p yesterday.

Cayzer/Iliffe to buy IOW ferry from SeaCon for £107m

By Andrew Hill

TWO OF the UK's titled families – the Cayzers and the Iliffes – plan to buy Sealink's Isle of Wight ferry service for £107.5m from Sea Containers, which is fighting a $1.02bn hostile bid.

The purchaser, Radiant Shipping Company, is owned by directors of the Yattendon Investment Trust, which holds the investments of the Iliffe family, headed by the second baron.

Caledonia Investments, the publicly-traded group controlled by Lord Cayzer's family, will subscribe for new shares in Radiant.

The Iliffes and Cayzers are already joint investors in British Air Transport Holdings, which owns the Air UK passenger airline.

The purchase would revive the Cayzers' past as shipping magnates, beginning in the 19th century when they founded Clan Line Steamers, which grew into British & Commonwealth Shipping (now Holdings).

Sea Containers is selling the Isle of Wight ferry service as part of a $1.1bn asset disposal programme, to fund a defensive $70-a-share tender offer for its own equity. This would top the $63-a-share bid from Tiphook, the UK container rental company, and Stena, the private Swedish shipping group.

Sea Containers also announced the $57.5m sale and leaseback of the Harwich/Hook of Holland ferry St Nicholas to a subsidiary of Gotland Shipping. All the asset disposals require shareholder approval before they can go ahead.

Meanwhile, Tiphook's shares rose sharply from 415p to 434p following Monday's legal setback to the hostile Anglo-Swedish bid for Sea Containers. The possibility that the bid might now be withdrawn has apparently dispelled worries about Tiphook's high level of borrowings.

Bermuda's chief justice, Sir James Astwood, will today consider Stena and Tiphook's attempt to extend an injunction preventing Sea Containers dealing in its own shares.

If the predators fail, Sea Containers could buy its own shares in the market, where they have risen to about $64. In the meantime, the Bermuda-registered container and ferry group has given an undertaking not to disrupt the Stena/Tiphook bid.

Stena and Tiphook are still considering whether to appeal against Monday's ruling that Sea Containers earlier "poison pill" defence, and the purchase of its own shares, were legal. An appeal or a hearing of the full facts could drag the six-month-old bid on into the New Year, with both sides incurring heavy legal costs.

Lossmaker Global gets reverse takeover from EIC

By Andrew Bolger

EIC, a private shipping services business based on Humberside, yesterday announced plans to reverse into Global Group, the troubled wholesaler and manufacturer of meat products.

Global announced a pre-tax loss of £2.6m in the year to May 31 on turnover of £61.5m. Losses were increased to £4.9m by extraordinary items arising from closure costs at two loss-making subsidiaries - Global France, a meat exporting company, and Hereward Foods, a supplier of frozen meat products. Global shares were suspended at 80p on the USM.

EIC is involved in stevedoring at four Humberside ports – Hull, Goole, Immingham and Grimsby – and says it has benefited from the abolition of the National Dock Labour Scheme. In the year to July 31, it made pre-tax profits of £303,000 on turnover of £6m.

The enlarged Global group will emerge from the acquisition by Global of EIC for an initial consideration of 50m new ordinary shares. Up to 10m additional new shares will be payable, depending on profits.

To reduce indebtedness of the enlarged group, Global is raising £4.8m, net of expenses, by way of a placing of 20m new shares at 25p each. These shares have been placed with institutions by Beeson Gregory.

Joint chairmen of the enlarged Global Group will be Mr John McGrory, chairman of EIC, and Mr Michael Shaffran, who became chairman of Global in June.

The principal activities of EIC are freezing, packaging and cold storage of produce, warehousing, distribution and stevedoring. It also holds land on Humberside which it intends to sell or develop if planning permission is granted.

Recent disposals leave Global with three businesses – Global Meat, which trades beef and pork throughout the world; Peakburgers, which makes beefburgers for the catering trade; and Canterbury Foods, which makes suet dumplings for UK food manufacturers.

Offer values Nu-Swift's Sicli holding at FFr299m

By Peter Berlin

THE LATEST proposed offer for the 88.5 per cent stake held by Nu-Swift, the fire extinguisher and office cleaning group, in Compagnie Centrale Sicli, the French fire protection company, values the holding at FFr299m (£31.4m). Lower than the value put on it by the offer which collapsed earlier this month.

Rothschild & Cie Banque and Drexel, Burnham, Lambert have taken a call option to buy the stake in December at FFr567 a share, a total of FFr1,907m. The previous offer, from a consortium of Wasserstein Perella, Bankers Trust and LBO France, involved an initial cash payment of FFr2,206m.

Nu-Swift said that the offer from the Rothschild consortium had been "floating about" in July when Nu-Swift had accepted the higher offer from the Wasserstein triumvirate.

The acquisition might involve a leveraged buyout. Nu-Swift said that there would be no problem delivering the 95 per cent of Sicli required under French law governing LBOs. Nu-Swift said the additional 6.5 per cent would be sold to the Rothschilds consortium by companies controlled by Mr Jacques Murray, chairman of Nu-Swift, and business associates of his.

Baron David de Rothschild, senior partner with Rothschild, said that while Rothschild had been interested in acquiring the Sicli stake from the start, it had decided to take out an option rather than make an immediate offer because "there are large numbers involved, it is a complicated business and a couple of months have passed."

Mr Rothschild said that the consortium had not decided yet what it would do with the stake if it bought it.

UK COMPANY NEWS

Weak housing market hits Hambros

By David Lascelles, Banking Editor

THE persistent weakness of the UK housing market took its toll on the interim profits of Hambros, the Banking ,estate agency and financial services group.

The group earned £35.8m before tax in the six months to September 30, down 7 per cent on the £38.6m in the same period a year earlier. However, at the post-tax level profits were up sharply thanks to a tax-free gain, and the profit attributable to shareholders amounted to £25.4m, up from £21.1m. Earnings per share were up 20 per cent, and 12 per cent fully diluted.

The fall was mainly because of much poorer results from Hambro Countrywide, the large estate agency chain in which Hambros owns 51 per cent.

Although the group has cut costs heavily, the continuing weakness of the housing market led to a loss of £6.4m in retail financial services, compared to a profit of £14.3m the year before. However, Hambros is selling a growing volume of life insurance through its estate agency: more than half its home-buying customers take out policies.

Hambros' other services, which include insurance broking (C.E. Heath) and property earned £23.7m. This included £18.3m from investments, three quarters of which was a gain from the acquisition of Hambros Investment Trust earlier this year, and the subsequent sale of the majority of its quoted investments. Further gains are expected from this deal.

Banking profits amounted to £27.4m, up substantially from £17.5m. All divisions contributed to the rise, particularly treasury and capital markets. The banking side benefitted from a £81m capital infusion from the HIT deal.

Hambros is advising Hoylake on its record £13bn bid for BAT Industries but none of the fees have been included in the results so far. Hambros will receive $30m if the bid succeeds, and $5m if it fails.

Mr Charles Hambro, the chairman, said the many political uncertainties facing the group made it hard to comment on the outlook. But given the new capital in the banking business, and the professionalism and potential of Hambro Countrywide, "I remain confident of our ability to progress".

The interim dividend is being increased by nine per cent to 3.6p.

Charles Hambro: confident of ability to progress

Reorganised SAC Intl improves to £3m

By Peter Berlin

SAC International, the engineering services group, is beginning to reap the benefits of last year's reorganisation of its design services operation.

Yesterday, SAC unveiled a 52 per cent improvement in its pre-tax profits to £3.07m for the 12 months to August 31 from a turnover just 7 per cent higher at £44.32m (£41.6m).

Mr Roger Smedley, chairman and chief executive, said SAC had concentrated on cutting overheads and surplus labour. He added that this was why profits had increased more rapidly than turnover.

Mr Smedley said the group had experienced "indigestion" last year following a string of acquisitions starting in 1986.

This year it had concentrated on developing a single corporate identity and on offering a fuller range of services in each of its regions and increasing the industrial and geographical spread of its business.

Design services, now called SAC Technology and which accounts for 45 per cent of the group's business, experienced an upturn in 1989.

The division recently entered a two-year agreement with British Aerospace to assist in future Airbus programmes. In 1988 the division cut staff by 20 per cent which resulted in an exceptional item of £504,000 in that year's accounts.

The group's technology projects wing, which accounts for 15 per cent of turnover, has formed a joint venture with UK Atomic Energy to tackle power-plant repair projects around the world.

The nuclear industry accounted for 14 per cent of SAC's turnover in 1989, down from 19 per cent in 1988. Mr Smedley said that because the group was involved in the repair of nuclear power stations, rather than in building new ones, there was no prospect of a downturn in business in that area.

Overseas business made up 28 per cent of SAC's turnover. The group has three offices in West Germany, one in the Netherlands and one in Switzerland.

It is also developing one in Spain. Mr Smedley said the office in Seattle had proved difficult to run and had produced low profit margins. He said SAC would like to increase the foreign proportion of its business and intended to focus on the Continent.

Earnings per share reached 9.58p, up from 6.03p, and a final dividend of 3p makes a 4.5p (4p) total.

NEWS DIGEST

H Young declines to £1.77m

H YOUNG Holdings, the supplier of propane gas, horticultural machinery, electronic components and spectacles, yesterday reported pre-tax profits of £1.77m in the fourteen months to end-September 1989, down from £2.98m in the previous 12 month period.

The group also announces the sale of its Readygas business to SGL, a subsidiary of Shell UK, for an aggregate consideration of £9.6m. This sale 'substantially strengthens' the company. Net assets increase by 59 per cent to 90p per share and the group becomes ungeared.

The results were achieved on turnover of £37.8m. Net interest topped the £1m mark, from £300,000 last time, and after tax of £565,000 (£1.01m) earnings per share were 7.9p (16.6p restated).

The company said that demand for optical products had fallen by some 50 per cent following the introduction of eye tests, and high interest rates had reduced consumer demand for many of its other products and services.

The board is recommending a final dividend of 4p (3p) per share, making a total for the year of 6p (4.4p).

Southnews falls to £1.3m midway

Southnews, the company which publishes and distributes a number of weekly newspapers in west London, south Buckinghamshire and parts of the south coast, yesterday announced pre-tax profits down from £1.5m to £1.3m in the six months to end-September.

Turnover however, went up from £9.37m to almost £10m and interest payable also rose from £41,000 to £64,000. Tax took £458,000 (£526,000) leaving earnings per 5p share at 5.62p (6.37p). An unchanged interim dividend of 1.6p has been declared.

The directors said that the prolonged reduction in advertising revenues across property and retail sectors within the London area had had a severe impact on revenues there, but in the core business, Middlesex County Press, operating margins had improved.

Elga Group surges 83% to £268,000

Elga Group, the manufacturer of water purification equipment, reported an 83 per cent rise in pre-tax profits from £146,000 to £268,000 in the six months to end-September 1989.

Turnover, at £5.87m, was up 7 per cent from £5.47m last time, and after tax of £93,000 (£51,000) earnings per 5p share came out at 1.73p (0.94p). The interim dividend is raised to 0.5p (0.4p).

The directors said the second half had started well and all of the group's operations in the UK and overseas were performing in line with expectations.

Radio City rises to £1.34m

Continued progress through the second six months enabled Radio City (Sound of Merseyside) to raise its profits from £1.02m to £1.34m pre-tax for the full year to end-September.

Turnover for 1988-89 rose from £3.84m to £4.33m. The share of profits of the associate amounted to £275,000 (£85,000) but tax accounted for £89,000 more at £459,000. Earnings emerged at 33.17p (25.15p) and a final dividend of 7p lifts the total by 4p to 10p.

Norfolk House in £11.4m acquisition

The latest deal by Norfolk House Group, the £11.4m cash acquisition of Action 2000 from DC Cook Holdings bringing with it 33 petrol stations and roadside development sites, puts the group into the top three of independent petrol retailers in the UK.

The properties include 11 redeveloped petrol filling stations and 10 freehold roadside development sites. A further 12 roadside sites are under option. Of the purchase consideration, £8.7m was attributed to the petrol stations and investment properties and the balance to the land.

Norfolk House, which came to the USM in February 1988, does not necessarily retain the service stations or sites it acquires. Its expertise is in the acquisition of such sites and their subsequent development with improved management controls and increased petrol sales volume and, having attained that, a subsequent on-sale.

Century Oils fails to meet expectations

Directors of the Century Oils Group said yesterday that the expected improvement on last year's trading had not materialised and that profits for the opening six months of the 1989-90 year had fallen from £2.36m to £1.09m at the pre-tax level.

They added, furthermore, that there had been a decrease in exports from Europe, a reduction in UK sales from late summer and increases in raw material costs. This, they pointed out, meant that further selling price increases in the market place were inevitable.

Turnover for the half year ended September 30 totalled £48.23m (£46.14m) – the group manufactures lubricants and allied products.

Earnings fell by 3.06p to 2.09p. However, actions being taken – including the sale of an 11.2 acre site at Dartford, Kent, and a similar one in the US – together with the group's underlying strengths prompted the directors to maintain the interim dividend at 1.75p.

Chemoxy moves further ahead

Chemoxy International, chemical manufacturers, reported a 10.1 per cent increase from £514,000 to £566,000 in pre-tax profits for the six months ended September 30 on turnover which rose 26 per cent to £7.14m.

The company said it anticipated that, despite changes in the mix of business, the results for the full year March 31 1990 would demonstrate its ability to prosper in the poorer economic climate. After tax of £198,000 (£180,000) net earnings per share emerged at 12.4p (11.6p). The interim dividend is raised from 2.6p to 3.5p.

Verson tops £0.5m midway and sees better second half

By Richard Tomkins, Midlands correspondent

VERSON International, the West Midlands-based manufacturer of metal forming machinery, increased pre-tax profits by 29 per cent to £560,000 (£434,000) in the six months to July and looked forward to a sharp acceleration in turnover during the second half.

Earnings per share were up by 26 per cent at 0.64p (0.51p) and the dividend is raised by 20 per cent to 0.21p (0.175p).

Mr Tim Kelleher, chairman and chief executive, said the group had entered the year with an order book dramatically ahead. By the end of October it had reached £62m, twice the previous year's level.

Orders took time to translate into sales, Mr Kelleher said, so the increase was not reflected in first-half turnover ahead just 4 per cent at £23.8m (£22.9m). Second half turnover, however, should be double the first-half figure.

Profits growth was achieved in spite of higher-than-expected interest charges. These resulted from the increase in base rates and the rapid build-up of work in progress.

Disruption caused by factory reorganisations at Verson Wilkins and Bronx Engineering also took its toll, but Mr Kelleher said the benefits of the group's capital investment programme should lead to higher margins in the second half.

Verson is not heavily exposed to the UK market because 75 per cent of its sales overseas. Yesterday it signed a £9m contract to supply the Pohang Iron and Steel Company of South Korea with three machines for wrapping steel coils.

RPS curtails property involvement

By Peter Berlin

RPS Group, environmental consultant, is to end its involvement in property development. It will close down its Shiregate subsidiary which last year made profits of £95,000. The company said that there was no prospect of Shiregate making any contribution this year.

UK COMPANY NEWS

Fairline confident after rise to £4.14m

By Peter Franklin

THE recent weakening of sterling exchange rates coupled with a shift in demand towards its larger, more profitable, vessels was the cause of much optimism for the coming year at Fairline Boats, the builder and retailer of power boats and boating equipment.

The company, which is based in Oundle, Peterborough, has a full order book and is confident of being able to sell its full production well into the autumn of next year, up to 70 per cent of which is expected to go for export.

Mr Sam Newington, chairman and managing director, revealed this as he disclosed a 14 per cent rise in pre-tax profits from £3.63m to £4.14m in the year to end-September 1989.

The result was achieved on turnover up 20 per cent to £30.5m (£25.37m) and despite the company not being able to capitalise on the strong demand for its boats because it had not commissioned any new production capacity at the new factory at Weldon, Northants, until the very end of the year.

In addition the regional development job creation grant attracted by this development was much lower this time at £35,000 (£163,000) and a cost of over £100,000 (nil) was incurred to stabilise prices for the company's overseas distributors early in the year in the face of an overvalued pound.

Mr Newington said that there were signs of weakness in the market for smaller boats.

The 24ft boat was being discontinued and Fairline had seen sales decline in its 27ft model.

There was a trend for owners to update to a larger boat, and Fairline planned next year to introduce three new models, including a 62ft vessel which would sell for around £400,000.

To provide the increased capacity necessary for this development the company was currently bidding for a further site in Oundle, which could be funded from its £6m of cash reserves, he said.

After a tax charge of £1.33m (£1.06m) earnings per 10p share came out at 80.1p (73.3p) and the directors propose to pay an improved final dividend of 12p (9.5p) making a total for the year of 18.5p (13.5p).

Good Bison result boosts NSM

By John Ridding

NSM, the restructured private coal mining group which used to be known as Burnett & Hallamshire, continued its strong turnaround from a history of losses by more than doubling pre-tax profits, from £4.2m to £10.6m, for the first half.

Much of the improvement in the six months to the end of September came from a first time contribution from Bison, the concrete flooring company acquired last September for £82.5m.

Mr Don Carr, chairman, said that Bison had "significantly exceeded its performance for the corresponding period" and had added about £7m to group operating profits of £14.22m.

But the company remains highly geared, with net borrowings slightly in excess of shareholders funds. Interest charges also rose sharply, from £1.8m to £3.6m.

Turnover for the period grew from £40.31m to £87.99m and earnings per share climbed from 2.8p to 3.8p despite an increase in taxation from £100,000 to £2.63m. Any dividend will be paid at the year end.

Mr Carr described the results as "very satisfactory" and said that the group forecast continued improvement in its performance in the second half.

The mineral and mining division, which represents about half of pre-tax profits had increased its contribution by about 40 per cent. In the US, coal sales benefitted from improved product prices and better product mix.

However, in the UK, three new open cast sites which were due to be opened this year failed to get planning permission, although the company is appealing against the decisions.

During the period, NSM also made its first move into the landfill and waste disposal business and has reached agreement with Derbyshire County Council to develop a joint landfill site. NMS estimates that it has a potential waste capacity of 15m cubic metres in the UK and a similar amount at a single US site.

● **COMMENT**

NSM's revival continues apace with an impressive set of results. In the short term, the level of gearing and the effect of slowing construction markets on certain of Bison's flooring business gives some cause for concern. But most of Bison remains protected and there will be benefits from rising coal prices and increased capacity in its mining operations, particularly in the US. In the UK, the proposed relaxation of coal licence limits are also likely to provide a boost, as should any other moves towards industry privatisation. Potentially more significant, however, is the development of its waste management and land fill operations. Analysts estimate that, in the US, the burying of two thousand tons of rubbish a day could bring annual revenues of about $35m. The prospect of making money from filling in holes that it was profitable to dig in the first place is something to look forward to and, combined with solid core businesses, justifies NSM's prospective multiple of about 15, based on full year pre-tax profits of £25m.

Sanderson Electronics' sharp advance

By Alan Cane

SALES AND profits were sharply up last year at Sanderson Electronics, a rapidly-expanding computing services group which is bucking the industry trend by concentrating on systems using "Pick" operating software rather than the more fashionable "Unix".

At £12m, sales for the year to September 30 were 54 per cent on the £7.8m achieved the previous year while profits rose 72 per cent to £3m, exceeding analysts' predictions.

Earnings per share increased 70 per cent to 23p and the directors are proposing a final dividend of 5.4p.

The total dividend for the year will be 7.5p.

The market responded by marking the shares up 20p to 318p. When the company joined the USM in September 1988, its shares were priced at 130p.

Sales have now increased each year by at least 50 per cent for six years in a row.

Sanderson's core business is computing services including maintenance, software and turnkey systems.

It operates in the UK, US, France, Germany, Italy, Belgium, Australasia, Singapore and Hong Kong.

The group acquired a 35 per cent stake in General Automation, a US-based minicomputer group in June 1989 and a 45 per cent stake in SGA Pacific, a systems house working with General Automation hardware, on September 1 this year.

Sanderson says that including these two associated companies the group is currently trading at about £50m sales a year and collectively employs some 600 people.

Sanderson has the right to increase its share of General Automation to 51 per cent. The group's principal trading company in the UK is Sanderson Computers which markets a range of computers which use an operating system called Pick which is essentially a competitor to Unix. It allows many users to work on the same system and to carry out several tasks simultaneously.

The company is looking for growth of between 30 and 50 per cent in the coming year and is expected to announce further acquisitions in the near future.

Pick is a mature operating system with effective database handling capabilities which is liked by software specialists. It is well suited to a wide variety of business applications. The UK leader in Pick systems is McDonnell Douglas Information Systems, but Sanderson seems to have secured its own position in a niche market; at a p/e of 13.8 it is hardly overpriced.

Wickes Belgian funding package

By Tim Dickson in Brussels

WICKES, the publicly quoted UK company which supplies timber, building materials and associated home improvement products and services, announced details yesterday of an unusual funding package to finance its latest expansion in Belgium.

Wickes is issuing so-called property investment certificates - securitised property bonds which have been a feature of the Belgian market for more than 20 years - to acquire six new stores in Belgium thereby bringing its total in that country to 18 by the end of next year.

The BF470m. issue of 20 year bonds - at a price of BF10,000 each plus BF300 in costs giving a yield of 6.62 per cent net - has been put together and is being underwritten by Generale de Banque, Belgium's biggest commerical bank.

A spokesman said yesterday that the bonds, which will be distributed "widely among the general public", will be quoted on the Belgian Stock Exchange and will offer investors the advantage of liquidity as well as " the classic advantages of a property investment.

Like many of the other 50 or so property investment certificates issued in Belgium - less than half of which are publicly quoted - part of the income stream will come through a reimbursement of capital (thereby avoiding withholding tax) while the rest will be paid in the form of interest (on which a 25 per cent tax rate has to be paid).

More unusually, the deal is structured in such a way that there are important VAT savings to Wickes in that it will be leasing the properties from Wickes Land Development (jointly owned by Wickes and Generale de Banque) to carry on its own productive activities.

Under the terms of the issue Wickes receives a 20 year option to buy the six sites and buildings at a price equivalent to 80 per cent of their market value (subject to a minimum of 67 per cent of the value of the initial investment price).

If Wickes exercises this option investors have the right to sell their certificates to the company at a price equal to the average of the last 20 quotations, with a minimum price of BF17,500 for each certificate.

This arrangement could have favourable capital gains for investors but the main purpose is to satisfy the legal requirements of a lease.

W&R Jacob I£5.55m cash call

W&R Jacob, the Dublin biscuit manufacturer, has called on shareholders for I£5.55m (£5.25m) net via a one-for-five rights issue at 295p each. In addition, Jacob is to acquire Golden Glow, a nut processing and distribution company, for a maximum consideration of I£4.63m.

The initial consideration will be satisfied by the issue of up to I£3.37m in guaranteed unsecured loan notes and I£211,000 cash.

A total of I£421,000 cash will be paid on completion in consideration in respect of the factory and warehouse not owned by Golden Glow.

A subsidiary of the BSN Groupe, which holds 29.58 per cent of Jacob's issued capital, has undertaken to subscribe for its full rights entitlement.

Beckenham makes £14m agreed bid for Bardsey

By Jane Fuller

BECKENHAM Group, the USM-quoted maker and installer of heating and ventilation ducts, has made an agreed bid worth £14.2m for Bardsey, a fully listed hand tool distributor.

Beckenham is offering three new shares for every four of Bardsey's.

Taking yesterday's closing price of 81p for Beckenham's shares, this values each Bardsey share at 60.75p, compared with 59½p at yesterday's close.

The offer includes a cash alternative of 229p instead of the three Beckenham shares, with £3m available to cover acceptances of this.

If insufficient, the amount per Bardsey share will be scaled down to a minimum of 18.1p.

The deal follows the disputed sale of Bardsey's Rabone Chesterman tool-making company. Stanley Works, a UK subsidiary of a US tools company, won a protracted battle against Cooper Industries, another US company, which offered more but carried legal complications.

The sale was worth £10.8m to Bardsey, including just over £2m to come in from the disposal of a Sheffield factory.

Although the merger is being brought about via a Beckenham offer, it was Bardsey that made the first approach.

Mr David Burnet, Bardsey's chairman, said the Rabone Chesterman disposal left head office costs being supported by only one subsidiary of any size – the RCF Tools distribution company – as total turnover fell to less than £30m.

"We were looking to make acquisitions, but many that we looked at were larger than us. Beckenham came across our sights. When we talked about it, a merger seemed sensible and it was more appropriate for them to take over us."

Beckenham, which graduated from the Third Market to the USM in the late summer, is forecast to have increased its pre-tax profit from £1.9m to £3m on turnover up more than 70 per cent to £70m in the 12 months to October 31.

It has recently bought Femwork, an air-conditioning ductwork company, and sold Curtis Tools, in the engineering sector, little more than a year after acquiring it.

Mr Christopher Egleton, chairman, said Bardsey was number two in the hand tools distribution field, which was a promising area despite the lull in the DIY market.

On the outlook for Beckenham, he said the company was one of the two biggest operators in ductwork and had yet to feel any effects of a downturn in construction.

To cushion itself, it had expanded from the south-east and south Midlands into the south-west, and was planning to have national coverage within the next six months.

The enlarged group is expected to have an annual turnover of about £100m and net assets of more than £20m. It remains ungeared.

Bardsey will pay shareholders a special dividend of 1p. There will also be a £300,000 all-share offer for its warrants.

COMPANY NEWS IN BRIEF

AEROSPACE ENGINEERING has acquired Wynn, which is based in the Telford area and specialises in the manufacture of plated through hole and multi-layer printed circuit boards, for £1.6m in cash.

BAT INDUSTRIES, the tobacco-based conglomerate, has continued to buy in its shares in relatively small amounts. It disclosed yesterday that it acquired 250,000 shares on Friday at 785p apiece.

BEAUFORD has acquired the business of Hosan for £147,000 in cash. Hosan manufactures a range of specialist machine tools with a wide variety of applications.

WILLIAM COOK's wholly owned subsidiary, Braintree Foundries has purchased Lake & Elliott Paramount's foundry business at Braintree, Essex for £1.35m cash.

HANOVER DRUCE has sold an investment property in Luton to Providence Capital Life Assurance for £2.8m in cash. The property comprises four modern freehold units which contain warehouse and office space and are located on an industrial estate at Cosgrove Way, Luton.

HTV's subsidiary Television Media Marketing has acquired Cordmate (a non-trading holdings) and its wholly owned trading subsidiary, Poster Buying Agency Concord and Posterlink. The total initial consideration for the acquisition will be £2.95m, made up of £2.33m cash and £619,000 in loan notes. Deferred additional consideration of up to £200,000 is payable in cash, subject to net assets and profits for the year ended December 31 1989.

IMI, diversified industrial group, bought the 50 per cent of Technofluid, Belgian distributor of fluid power products, it did not already own for £1.5m in cash.

MENVIER-SWAIN is paying up to £2m for Pretronica-Precisao Electronica, of Portugal, which principally makes emergency lighting equipment of a similar type to that produced by Menvier-Swain. Initial consideration is £765,000, with further payments profit-related.

PSION's rights issue to raise some £4.8m received applications for 98.8 per cent of the 1,995,520 new shares offered.

TR HIGH INCOME: the offer of 14m ordinary and 2.88m subscription shares was oversubscribed. Applications for up to 1,000 units will be satisfied in full, those for between 1,200 and 6,000 will be scaled down to 65 per cent of the number applied for subject to a minimum of 1,000, applications for 7,000 and over receive 4,000 units.

WESTMINSTER Scaffolding has paid £280,000 to acquire Digby Scaffolding. The consideration comprised £210,000 cash and £70,000 in 8 per cent loan stock, convertible into 63,636 Westminster ordinary at 110p each in April 1993. In the year ended September 30 1989 Digby incurred losses of £37,000 to add to its brought forward deficit of £450,000.

TECHNOLOGY

Clive Cookson reports on a compact disc application that involves sound, text, graphics and video

Moving to the beat of a different mix

The success of compact discs in the consumer market is rapidly spinning off new applications of CDs in electronic publishing.

The technology – unfortunately saddled with the title CD-Rom (compact disc read-only memory) – is likely to become one of the most important means of distributing information to personal computer users. The worldwide value of CD-Rom sales, including hardware and software, was $400m in 1988, according to InfoTech, a US consultancy, and most analysts expect the annual growth rate to exceed 100 per cent for at least the next three years.

Most CD-Roms released so far contain a mixture of text and static graphics. Many are specialist databases aimed at professional and commercial markets – CD versions of on-line computer databases. One of the few commercial databases assembled from scratch for CD-Rom, rather than converted from an on-line database, is El Cid (Electronic Library Construction Information Database), which provides all the technical information required by builders and architects to comply with UK building regulations.

CD-Rom is an excellent medium for computerised mapping and it is being used by aerospace and automobile manufacturers to distribute technical and engineering documentation and by large libraries to produce book catalogues. Rank Xerox will be a large in-house user; it plans to issue all field service engineers in the UK with a portable computer and CD-Rom drive; every month they will receive an updated disc containing full technical data on 80 photocopiers.

More exciting applications will emerge over the next two years as CD technology is extended to mix sound, text, graphics and video on a single disc. This is the route to "multimedia computing", manipulating any combination of moving and still pictures, sound and data on a cheap personal computer.

The basic CD-Rom is now a true world standard. Although there were software compatibility problems for two or three years after Philips of the Netherlands and Sony of Japan launched CD-Rom in 1985, these have been sorted out and users should now be able to play a disc from any publisher on a CD-Rom drive from any hardware manufacturer attached to any IBM-compatible PC. (Today everyone follows the High Sierra format for storing and retrieving CD data, enshrined as international standard ISO 9660.)

Even so Isobel Pring, a London-based CD-Rom consultant, still advises anyone buying an expensive disc to have a demonstration first. "If possible, see it running on your particular computer configuration – for example an IBM PC with a Hitachi CD drive."

There is no world standard for multimedia CDs. The two main contending systems are CD-I (CD-Interactive), developed by Philips and supported by several Japanese manufacturers including Sony and Matsushita, and DVI (Digital Video Interactive), originated by RCA/General Electric in the US and bought last year by Intel.

CD-I and DVI have different emphases. Philips sees CD-I primarily as a consumer product to be run on a dedicated CD-I machine – a new combination of home computer, video and CD player that is scheduled for launch in the US in 1991 at an initial retail price of $1,000. American Interactive Media, a Philips subsidiary based in Los Angeles, aims to have a library of 30 to 50 mass-market CD-I titles ready by then, ranging from Children's Musical Theatre to The Urban Gardener; Richard Arroyo, the company's senior vice-president, expects the discs to cost $20 to $40 each.

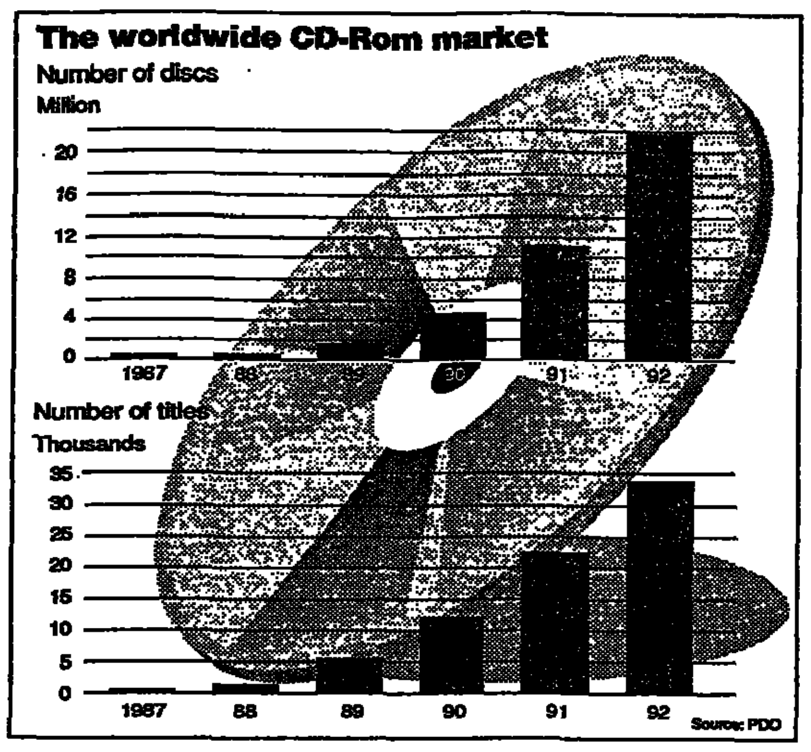
Intel, on the other hand, is developing DVI as a set of chips that enable PCs to play multimedia CDs – and IBM has given DVI a boost by agreeing to develop the technology for its PS/2 and future PCs.

It is clear, however, that CD-I and DVI are competing to become the world standard for multimedia CDs in the 1990s. Philips has designed CD-I to run on ordinary personal computers as well as special players. The first CD-I systems, to be introduced next year before the official consumer launch, are similar to the professional and business applications that Intel and its partners are developing for DVI.

Philips has signed up Intel's arch-rival Motorola to make CD-I chips and is ahead of Intel in signing up Japanese partners. But Intel scored on Philips's home territory last month when Olivetti announced that it would provide DVI for personal computers in Europe.

As a "bridge" between CD-Rom and CD-I, Philips and Sony have announced another new format, known as CD-Rom XA (for extended architecture), which lays down guidelines for interleaving sound with text and graphics on CD-Rom but is not a full multimedia standard. Opinions vary in the industry as to whether CD-Rom XA will turn out to be an important intermediate standard or an irrelevance.

The hardware for CD-Rom and derivatives is based closely on the specifications for the 12cm audio compact disc, laid down by Philips in the 1982 Red Book. Indeed the manufacturing process is the same whether the CD holds pop music or obscure technical data.



The information is stored digitally in the form of microscopic pits and blank spaces on the CD's aluminium surface. The player has a laser beam and photo-detector, which reads a binary 1 or 0 according to whether it encounters a pit or a space.

Technically, CD audio is not an ideal basis for computing and electronic publishing. "If you started from scratch, the most obvious improvement would be to increase the rotational speed of the disc," says Anders Rehnberg of Philips and Du Pont Optical (PDO), the Dutch-American disc manufacturer. "That way you would get a higher data transfer rate. Multimedia applications would be much easier if you could spin the disc five times faster."

The compensating advantage of riding on the back of the mass-market audio standard is that manufacturing costs are far lower for CD-Rom than they would be for a laser disc developed specifically for electronic publishing. The UK price of a typical CD-Rom drive is £600-£700.

The costs of putting information on CD-Rom depend on the quantity of discs required. PDO charges £1,900 to make a single CD-Rom master disc; each duplicate disc then costs from £9 (for quantities of 10 to 99) down to £3.25 (for 1,000 or more). Prices are lower for regular orders; a company ordering a weekly CD-Rom from Nimbus Records might not have to pay more than £1,150 for each master and £2 per duplicate disc.

The manufacturing costs may represent only a tiny part of the price paid by an end-user for CD-Rom. A disc holding a valuable database may cost several thousand pounds. For example, Kompass CD, part of Reed International, sells five major UK company directories on a single disc for £4,000.

A single CD can hold about 600 Mbytes of data – equivalent to 1,500 floppy discs or 250,000 pages of printed text. But average access times are much slower for CD-Rom than for conventional computer discs (hard or floppy) which spin more quickly; it can take as long as a second to locate a piece of information on a CD-Rom.

Although the storage capacity sounds impressive for text, CD-Rom is quickly overwhelmed by the immense volume of data required to encode digital video. A single disc can hold only three minutes of full-motion pictures. Multimedia CD applications depend on software which "compresses" the video signals without reducing the quality to an unacceptable level.

Intel and Philips say that the compression techniques incorporated in their interactive CD systems will deliver full-quality video. Judging by what they have demonstrated in public, Intel's DVI is ahead of CD-I in its video capabilities. "At the moment DVI video quality is not at the same production quality as straight analogue video," says Mike Lloyd, managing director of Attica Cybernetics, a specialist CD-Rom company. "But it is very acceptable quality. It's similar to home video in terms of the display."

Attica Cybernetics, based in Oxford, recently won one of the first UK contracts to develop a DVI system. It is to teach British Sign Language to deaf people and their families. Two thousand moving sequences will be stored on CD-Rom. The system also has a camera which records each student's attempt at signing and displays it on the computer screen, side by side with the correct method from the disc.

Lloyd believes that over the next five years DVI will replace the current generation of interactive training systems, because it will be cheaper. DVI's digital video signals are easy to manipulate on a computer screen, unlike the analogue video used today.

At the same time Philips is promoting CD-I for interactive training. Last month in Paris it demonstrated a system to train mechanics in Renault service stations worldwide. There is a set of four discs, each containing the same text in seven European languages.

Outside the Philips and Intel camps, Apple of the US is devoting huge resources to its own "multimedia" strategy using CD-Rom with the Macintosh personal computer. The Mac-based systems are an imaginative mixture of text, sound, graphics and animation though they do not yet include digital video.

Apple's latest multimedia initiative, on which the company's UK subsidiary will spend £0.5m over the next year, is the Renaissance Project. Working with the BBC and a group of colleges and universities, Apple plans to develop "a new learning process which will encompass all academic disciplines from arts to sciences and the world of commercial and industrial training."

If the CD lives up to its promise, it will be the dominant means of distributing pre-recorded information and entertainment by the year 2000.

Motorola joins IBM chip cause

By Louise Kehoe

In its latest effort to boost the competitiveness of the US semiconductor chip industry, International Business Machines this week revealed that it will share the use of its new $1bn experimental X-ray lithography facility in East Fishkill, New York, with Motorola, the largest US "merchant" semiconductor manufacturer, for a "nominal fee".

The agreement represents the first of what IBM hopes will be several such "partnerships" with chip-makers and manufacturers of semiconductor production equipment, as it begins efforts to develop X-ray technology and maintain a US lead over Japan's semiconductor producers.

Over the past year, IBM has invited a number of leading US and European companies to make use of its facilities, merely covering its own costs. Motorola, however, is the only company to accept the invitation and "some have turned us down," IBM president Jack Kuehler acknowledges.

IBM expects to use X-ray lithography to scribe the extremely fine details of the next generation of memory chips – 16 megabit D-Rams. The company's semiconductor engineers are convinced that X-ray lithography will become an essential part of the semiconductor production process by the mid-1990s.

Kuehler points out that Japanese semiconductor producers are moving ahead more quickly than those in the US on X-ray lithography. There are at least 15 X-ray facilities in Japan, while IBM's is the first such privately-owned facility in the US. By allowing others to use its facilities, IBM hopes to close the gap.

US chip-makers decline to comment on why they have not taken up IBM's offer. Some, it appears, do not agree with IBM's view of the future role of X-ray lithography. They believe that current optical lithography and electron beam methods can meet foreseeable needs.

Others, faced with pressing financial problems, are not in a position to commit themselves to such long-term, expensive research projects. The chip-makers' reluctance may also reflect a traditional reliance upon semiconductor production equipment manufacturers to come up with advances in lithography technology, rather than developing them at their own expense.

Even Motorola has limited its commitment to 21 months, during which the company says that it will learn about IBM's X-ray capability and assist in perfecting its applications. At the end of this period, Motorola may either renew its contracts with IBM or withdraw from the project.

None the less, IBM is pleased to find at least one taker. "This agreement is consistent with our pledge to share some of IBM's most advanced technology to help strengthen the competitive position of the US semiconductor industry," said Michael Attardo, IBM vice-president.

Indeed, IBM has become a national champion of the US chip industry in the face of Japanese competition. "IBM is on the field of battle carrying the American colours," observed New York's lieutenant-governor, Stan Lundine, speaking at dedication ceremonies for the new IBM Advanced Semiconductor Technology Centre, which will house the X-ray lithography facilities, this week.

IBM's concerns about US chip-makers stem from its conviction that semiconductors hold the key to future international competitiveness in the computer market. IBM executives say that the company is critically dependent upon an "infrastructure" of chip suppliers and companies that provide semiconductor production equipment and materials. "If you can design the best computers in the world, you can still be beaten by an average computer designer, if he has access to more advanced chips," explains Kuehler.

In other moves to support the US semiconductor industry, IBM has licensed technology to Sematech, the Government funded semiconductor manufacturing technology development consortium, and promised also to license its current and future memory-chip designs to US Memories, a proposed memory-chip manufacturing consortium.

TECHNOLOGY MARKET

COMMODITIES AND AGRICULTURE

Opec agrees 1.5m barrel rise in production ceiling

By Steven Butler in Vienna

THE ORGANISATION of Petroleum Exporting Countries meeting in Vienna yesterday reached agreement on a production accord for the New Year that lifts Opec's official production ceiling by 1.5m barrels a day to 22m b/d. However, actual production is expected to be significantly higher.

On the European spot market traders reacted bearishly to news of the Opec agreement. The January Brent price ended the day 22½ cents down at $18.30 a barrel.

The agreement was signed by all 13 Opec members, although the production quota for the United Arab Emirates was increased by only a token 1,000 b/d to 1.095m b/d, and the UAE was expected to continue to ignore any restraints on output. The UAE, an inveterate quota cheater, is now producing about 2.3m b/d.

The agreement also includes a "minimum" reference price of $18 a barrel, a clause inserted to mollify Algerian concerns over oil prices. The current Opec agreement has only a reference price of $18, and it seems unlikely that introduction of a minimum concept will make any practical difference.

The failure to bring the UAE effectively into the agreement, or to achieve any broad reallocation of quotas in favour of countries with higher production capacity was a disappointment to ministers from the big Gulf producers.

Some Opec countries which are producing near their production capacity ceilings were granted increases along with those that have plenty of spare capacity.

However, a renewed pledge by Kuwait to observe its quota, which was lifted by a special allocation to 1.5m b/d, ranks as an important achievement of the conference. Kuwait now says it will not try to match the UAE in overproduction and is expected to reduce output from about 2m b/d to its quota level.

Mr Ginandjar Kartasasmita, the Indonesian minister, said he expected effective production to be about 22.5m b/d, although some analysts believe it may be closer to 23m b/d, which is somewhat below current levels of output. This has raised fears of a fall in prices early in the New Year, when demand for Opec crude is expected to be closer to 21.5m b/d.

The agreement was achieved by mathematically massaging the quota figures to make it appear that most countries' demands were being met. There was also an anomalous transfer of 1,000 b/d from Saudi Arabia to the UAE, which may have been the concession demanded by the UAE to get it to sign the accord.

The UAE Minister was understood to have been corralled and harangued by other Gulf Arab ministers for up to three hours yesterday in an effort to wring compromises from him – but to little avail.

Saudi Arabia had insisted repeatedly that it would not sacrifice even one barrel from its 14.46 per cent quota share for the sake of the agreement, although it now appears to have done this.

The Saudi share of Opec's official production also slipped marginally because the total of quotas assigned to each country exceeds 22m by 86,000 b/d since only Indonesia was willing to sacrifice its own increased quota share to help boost Kuwait's. The 22m b/d is thus only a notional figure, and all countries other than Kuwait will have their share of official production cut at least marginally.

Venezuela, which was forced to reduce production of light hydrocarbons after Opec said they should be included within its quota, successfully resisted pressure to take a cut in its own share which would have made the numbers work out better for other countries.

Even though Venezuela was told that it could produce this oil anyway, it was keen to have the extra barrels included in its quota because it considered itself to be a major producer and wished to participate fully in future production increases.

Libya appears to have caved in to pressure and abandoned its demand that its quota share rise from 5.6 per cent to 6.3 per cent, although Mr Fawzi Shakshuki, the Libyan Minister, expressed reservations about his country's quota after the meeting.

Organic yields 'not much below normal'

By Bridget Bloom

CROPS GROWN organically, without the use of manufactured pesticides or fertilisers, can yield almost as much as conventionally grown crops, an Israeli scientist maintains.

According to Dr Gerald Stanhill, director of the Israeli International Centre for Research in Organic Agriculture, comparisons of over 200 organic farms and farming experiments with their conventional equivalents show an average yield reduction of 14 per cent in the case of crops grown without chemical pesticides or fertilisers.

In the case of milk and eggs produced from livestock fed on organically grown feed, the differences in yields were only 2 per cent.

Dr Stanhill's findings, which are based principally on organic farming enterprises in northern Europe and the US, are at considerable variance with conventional wisdom on organic farming, which holds that markedly lower yields are inevitable if farmers eschew the use of chemical inputs.

Advocates of organic farming have recently sought European Community aid, arguing that, with lower yields, the system will help reduce farm surpluses.

Dr Stanhill has analysed data stretching back in some cases over 40 years, mainly from organic farms in the US, Britain and the Netherlands. The data covered 26 different crops as well as milk and eggs and was derived from 21 different sites.

In a recent paper*, Dr Stanhill maintained that over a quarter of the crops grown organically, including beans, had higher yields than conventionally grown crops, while there was evidence "suggesting a greater efficiency of organically grown animal feed in terms of milk production."

The recently-formed ICRAO is part of the Israeli Volcani Centre for agricultural research, which has a staff of some 300 scientists and engineers.

Currently some 700 hectares are farmed organically in Israel, an area that has doubled in the last two years. There are about 120 organic farmers producing some 5,000 tonnes of produce worth about $7m, mainly for export to Europe.

According to Dr Stanhill, the main reason for the rapid growth and success of organic agriculture in Israel "appears to be its professionalism. . . Ideology and theory play a secondary role."

**The Comparative Productivity of Organic Agriculture; 40pp. Volcani Centre, Bet Dagan, Israel.*

Relations with US 'will remain crucial in Soviet grain-buying'

By Bridget Bloom, Agriculture Correspondent

US-SOVIET relations are likely to play a continuing and major role in the Soviet Union's grain purchasing activities, despite domestic reforms designed to boost Soviet agriculture, the International Wheat Council believes.

However, in its latest report, which contains a special section on Soviet agriculture, IWC predicts that Soviet demand in future is likely to be concentrated on grains for animal feed, which are usually less expensive than wheat and are available from a smaller number of suppliers. Most Soviet feed grain purchses consist of maize from the US.

As part of its farm reforms, *the Soviet Government is offering* bonus payments to its own producers for wheat and oilseeds, the crops most suitable for growing in domestic conditions and which are usually most expensive to buy on international markets.

The wheat council's report notes four principal measures being used to boost Soviet grain production, which is aimed at 260m-280m tonnes in 1995 compared with 195m tonnes in 1988. Soviet demand for grain is fuelled largely by the commitment to expanding *livestock production, IWC* notes.

● Emphasis will be given to intensive technology "which is essentially the adoption of techniques widely practised in western countries" but which will need "a massive increase in chemical inputs." Currently Soviet use of inputs averages 20 per cent of that in western countries.

● A greater degree of autonomy, particularly in decision-making and finance, has been extended to the 27,000 collective or "co-operative" farms, accounting for 35 per cent of output. However this has not yet been extended to the 26,000 state farms, which also produce about 35 per cent of output.

● A recent initiative to raise output of wheat and oilseeds involves the offer to pay state and collective farms in hard currency for deliveries above specified averages.

● Finally, attempts to encourage leaseholding by workers from state farms has had "a disappointing response," the *IWC report says.*

It notes that of all the planned reforms, the biggest short-term improvements could be achieved from efforts to reduce the huge annual losses of grain resulting from inefficient handling and storage.

Some 20m tonnes of grain and 2.4m tonnes of meat are lost each year in the Soviet distribution network, the IWC says, while 5m tonnes out of total bread production of 40m tonnes is reprocessed, mainly *as animal feed.*

Total western exports of grain to the Soviet Union have varied markedly over the years, from 32m tonnes in 1983-84 and nearly 55m tonnes in 1984-85 to 39m tonnes in 1988-89 and an estimated 33m tonnes in 1989-90.

The IWC has left unchanged from last month its estimate of world wheat production in 1989-90 (July-June) at 530m tonnes. World wheat output last season was 502m.

An upward revision for Indian production was almost completely offset by a reduction for South Africa, according to the report.

Minor adjustments resulted in a 1m tonnes downward revision in the forecast for world trade in 1989-90 to 96m tonnes. This compares with 97m in 1988-89 and a record 106m in 1987-88.

BRAZILIAN government agencies said yesterday that Brazil may have to raise wheat imports from some 2m tonnes this year to 2.3m-2.8m tonnes in 1990 to complement falling domestic production, writes John Barham in Sao Paulo.

This year imports should cost $160m, up from $97.4m in 1988. Brazil should buy 1.5m tonnes from Argentina and 500,000 tonnes from Canada, and the balance from the US, said Mr Jacques Berliner of Moinho Vera Cruz, a wheat mill.

The next Brazilian harvest is forecast at 4.2m tonnes, compared with expected demand of 6.5m-7m tonnes. Bad weather, rising costs and disorganised government supervision have forced output down. Only the Federal Government can buy wheat from farmers and sell it to private mills.

Production peaked at 6.2m tonnes in 1987 and almost met total demand, but output has declined every year since then.

Gummer to outlaw burning of straw

By Bridget Bloom

BRITAIN IS set to outlaw the controversial practice by farmers of burning straw after autumn harvests.

An announcement that straw burning will be banned from the 1992 harvest is expected to be made tomorrow by Mr John Gummer, the Minister of Agriculture. The delay is thought to be to enable farmers to make alternative arrangements.

Straw-burning has become increasingly controversial in recent years, both because of the nuisance it causes to non-farming country-dwellers and because it is now believed to contribute both to the greenhouse effect and to acid rain, according to the National Society for Clean Air.

In a new report due to be published on Friday, the Society says that the level of complaints about the burning of some 5m tonnes of straw rose significantly this autumn, with more than 80 per cent of local authorities in favour of a straw-burning ban.

In 1987 straw was burnt on 900,000 hectares, 27 per cent of *UK cereal land. Many farmers* have already turned to alternatives such as chopping straw and ploughing it in, but burning is still widespread.

However, the ban may well cause some consternation – the furthest the National Farmers' Union was prepared to go to meet complaints this summer was to suggest the practice might be licensed.

Judge to assess tin damages

By Raymond Hughes, Law Courts Correspondent

A HIGH Court judge was yesterday asked to assess the amount of damages to be paid to two Shearson Lehman Hutton companies by Maclaine Watson, a subsidiary of Drexel Burnham Lambert and a member of the London Metal Exchange.

The assessment follows Mr Justice Webster's ruling last March that Maclaine had breached tin contracts made with Shearson.

Shearson Lehman Brothers, a trading company owned by American Express, and its metal broking subsidiary, Shearson Lehman Metals, claimed £74.5m damages.

The ruling was made in a case in which the judge held that the LME's Rule M, which fixed a ring-out price overriding outstanding tin contract prices following the suspension of the tin market in October, 1985, was valid.

At the same hearing the judge rejected Shearson's damages claims against the LME for allegedly inducing breaches of contract by Maclaine and for alleged breach of duty. Both claims related to Rule M.

Appeals by Shearson against those decisions, and by Maclaine against the finding that it was liable to pay damages to Shearson, are expected to go before the Court of Appeal next autumn.

The assessment hearing, likely to last four or five days, continues today.

WEEKLY METALS PRICES

Prices as supplied by Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,750-1,800 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 4.20-4.65 (4.35-4.75).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 5.00-5.40 (5.10-5.50).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.40-7.70 (7.45-7.70).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 245-255 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.55-2.65 (2.70-2.80).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.35-6.00 (5.50-6.00).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 44-60 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 2.50-2.60 (2.90-3.00).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.60 (same).

US tightens export programme

By Nancy Dunne in Washington

THE US Department of Agriculture has announced tighter rules for its controversial four-year old Export Enhancement Program in the wake of domestic criticism of overpayments to American exporters and concerns that the scheme has failed to achieve its original objectives.

The programme, designed to discourage the EC from using export subsidies, has also come under sharp attack from US trading partners – particularly Australia, Canada and other countries not employing export subsidies but which say they have suffered from subsidised American competition.

A report by the USDA's Inspector General concluded that the lack of written guidelines for calculating subsidy levels may have given exporters overpayments of up to $115m through last year. The IG said exporters participating in the programme had refused to provide their financial records, making it impossible to evaluate the appropriateness of the subsidies.

Under the new guidelines, USDA officials must consider the effect that EEP sales have on third country agricultural exporters. Subsidies, called "bonuses", will be approved only if they are expected to have "a minimal effect" on non-subsidising exporters in the market.

The USDA still considers the EEP a tool to further its proposal to phase out subsidies in *the Uruguay round of the General Agreement on Tariffs and* Trade. The Department now says that any bonuses must further the US negotiating strategy of countering competitors' subsidies and other unfair trade practices by displacing other countries' subsidised exports.

The new guidelines also lay the following ground rules for the programme:

● The EEP is to be used in countries where US sales have been non-existent or displaced, or where market share has been lost because of competition from subsidised exports.

● EEP initiatives must demonstrate a potential to develop, expand or maintain markets for US agricultural commodities and take into consideration the historical US market share and long-term commercial relationships.

● Efforts are to be concentrated on export sales of those commodities which would be competitive if competitors did not use export subsidies.

● The cost of the programme, as well as the amounts of individual subsidies, will be maintained at the minimum level necessary to achieve the objectives of the programme.

Mr Nelson Denlinger, executive vice president of US Wheat Associates, said he doubts that the tighter guidelines will matter much in the operation of the programme. EEP offers have been slowed because of the tight supply situation, he said.

Barbados sugar harvest at 58-year low

THE 1989 Barbados sugar harvest yielded 66,353 tonnes, which industry officials said is the lowest since 1931, writes Canute James in Kingston, Jamaica. Output, which is 17,000 tonnes less than last year, was depressed by a drought followed by too much rain, the officials explained.

The island's earnings from sugar exports this year amounted to US$25m, some $7m less than 1988 receipts.

Mr Warwick Franklin, the Agriculture Minister, said recently that the Government wanted to lift production to an average of 95,000 tonnes a year.

● Jamaica expects to ship 45,000 tonnes of bananas to Britain this year, following exports of 28,500 tonnes last year, when the island's industry was devastated by a hurricane.

Exports to Britain next year are expected to be 80,000 tonnes, growing to 100,000 tonnes in 1991.

WORLD COMMODITIES PRICES

LONDON MARKETS

GOLD prices were again in retreat yesterday on the London bullion market, although closing above the day's lows. Dealers blamed technical factors for the correction. The downside, however, was restricted by underlying buying interest against a background of constructive fundamentals and charts. The next objective remains $420/$425 an ounce, traders said. On the LME, cash nickel hit a fresh 21-month low of $9,150 a tonne as the bear trend continued. But the low prices attracted some profit-taking purchases, and the premium for cash metal over three-month rose to $600 a tonne from Monday's $480. Tin also retreated further. Analysts said the market continues to sag under the weight of plentiful supplies from most producers and lack of any significant demand from major end-users.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.75-5.85z	-.275
Brent Blend	$18.17-8.23z	-.225
W.T.I. (1 pm est)	$19.45-9.50z	-.370
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$186-191	+1
Gas Oil	$190-191	+1
Heavy Fuel Oil	$105-108	
Naphtha	$158-160	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$410.75	-4.50
Silver (per troy oz)♣	586c	-8
Platinum (per troy oz)	$518.55	-13.80
Palladium (per troy oz)	$138.25	-2.40
Aluminium (free market)	$1705	
Copper (US Producer)	113½-116	+1¾
Lead (US Producer)	39c	
Nickel (free market)	422c	-8
Tin (Kuala Lumpur market)	17.92r	
Tin (New York)	304.0c	-12.0
Zinc (US Prime Western)	73¼c	
Cattle (live weight)†	112.89p	+.19*
Sheep (dead weight)†	206.08p	+4.32*
Pigs (live weight)†	87.35p	-2.16*
London daily sugar (raw)	$361.2x	-11.4
London daily sugar (white)	$390.0x	-12.0
Tate and Lyle export price	£347.0	-8.0
Barley (English feed)	£116.0	
Maize (US No. 3 yellow)	£129.5	
Wheat (US Dark Northern)	£128	
Rubber (spot)♥	57.00p	
Rubber (Jan)♥	59.50p	
Rubber (Feb)♥	60.50p	
Rubber (KL RSS No 1 Dec)	224.5m	
Coconut oil (Philippines)§	$435.0x	-5.0
Palm Oil (Malaysian)§	$330z	
Copra (Philippines)§	$285w	
Soyabeans (US)	$173.0	-2.5
Cotton "A" index	79.80c	-1.45
Woolltops (64s Super)	580p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct. x-Dec/Jan. t-Jan/Mar. v-Nov/Dec. w-Dec. z-Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA - London FOX £/tonne

	Close	Previous	High/Low	
Dec	651	665	662	650
Mar	644	651	650	640
May	655	659	660	649
Jul	669	672	672	663
Sep	687	688	687	680
Dec	712	713	712	705
Mar	732	735	727	

Turnover: 5641 (7410) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Nov 27 750.49 (757.46); 10 day average for Nov 23 778.62 (785.63)

COFFEE - London FOX £/tonne

	Close	Previous	High/Low	
Nov	706	702	708	702
Jan	688	685	689	682
Mar	697	695	698	692
May	701	700	704	700
Jul	720	718	722	718
Sep	742	738	743	738
Nov	762	758	755	

Turnover: 3090 (1861) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Nov 27: Comp. daily 60.82 (N/A). 15 day average 62.25 (N/A)

SUGAR - London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	322.00	325.60	323.40	322.00
Mar	321.40	323.80	326.20	320.20
May	318.00	319.80	322.40	317.00
Aug	312.60	315.00	316.00	312.40
Oct	305.60	308.00	307.00	305.60
Dec	300.00	305.00	300.00	
Mar	287.40	289.00	287.00	
White	**Close**	**Previous**	**High/Low**	
Mar	381.50	382.00	383.50	380.50
May	390.00	396.00	397.00	393.50
Aug	405.00	405.50	405.50	403.50
Oct	378.00	377.00	378.00	375.00
Dec	364.50	364.00	363.00	
Mar	363.00	352.50	350.00	

Turnover: Raw 3127 (6343) lots of 50 tonnes. White 1293 (1397).
Paris- White (FFr per tonne): Mar 2385, May 2420, Aug 2505, Oct 2335, Dec 2265, Mar 2265.

CRUDE OIL - IPE $/barrel

	Close	Previous	High/Low	
Jan	18.30	18.44	18.47	18.26
Feb	18.09	18.17	18.25	18.06
Mar	17.92	18.10	18.05	17.90
Apr	17.87	18.00	18.00	17.82
IPE index	18.40	18.43	18.40	

Turnover: 6001 (2904)

GAS OIL - IPE $/tonne

	Close	Previous	High/Low	
Dec	185.50	185.00	186.50	184.00
Jan	173.50	179.75	181.25	176.50
Feb	173.25	174.00	175.25	173.25
Mar	166.50	168.25	170.75	168.00
Apr	163.00	164.25	165.50	163.00
May	161.00	162.00	162.00	159.75
Jun	159.00	159.00	160.00	
Jul	159.00	159.00	159.50	

Turnover 7634 (4744) lots of 100 tonnes

JUTE

November/December c and f Dundee BTC $560, BWC $570, BTD $515, BWD $505; c and f Antwerp BTC $570, BWC $560, BTD $495, BWD $485.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 10,300 tonne
Cash	1720-3	1711-13	1706	1705-7		
3 months	1713-4	1705-9	1714/1700	1704-5	1714-5	32,198 lots
Copper, Grade A (£ per tonne)						Ring turnover 36,376 tonne
Cash	1607-9	1597-9	1604/1603	1604-5		
3 months	1617-8	1608-10	1627/1600	1613-4	1612-3	76,140 lots
Lead (£ per tonne)						Ring turnover 12,225 tonne
Cash	430-1	429-30	438	434-5		
3 months	429-30	429-9	438/426	433-4	425-7	11,500 lots
Nickel ($ per tonne)						Ring turnover 2,208 tonne
Cash	9100-200	9300-50	9150/9050	9075-100		
3 months	8500-600	8640-50	8800/8500	8575-600	8600-25	7,071 lots
Tin ($ per tonne)						Ring turnover 910 tonne
Cash	6650-80	6670-700	6600	6690-[illegible]		
3 months	6690-700	6800-10	6780/6680	6720-30	6650-600	5,283 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 8,950 tonne
Cash	1364-8	1362-3	1405/1368	1386-90		
3 months	1353-5	1350-3	1375/1345	1354-6	1348-50	16,768 lots
Zinc ($ per tonne)						Ring turnover 500 tonne
Cash	1375-85	1365-80	1405	1405-10		
3 months	1330-5	1325-30		1330-5	1320-30	2,473 lots

LME Closing £/$ rate: SPOT: 1.5610 3 months: 1.5381 6 months: 1.5160 9 months: 1.4937

POTATOES - BFE £/tonne

	Close	Previous	High/Low	
Feb	155.0	155.0		
Apr	214.5	213.7	215.0	211.0
May	240.0	239.0	239.5	237.0

Turnover 402 (507) lots of 40 tonnes.

SOYABEAN MEAL - BFE £/tonne

	Close	Previous	High/Low	
Feb	145.50	146.50	145.50	
Apr	143.50	144.50	143.50	
Jun	141.00	142.50		

Turnover 610 (25) lots of 20 tonnes.

FREIGHT FUTURES - BFE $10/Index point

	Close	Previous	High/Low	
Nov	1670	1674	1670	1670
Dec	1656	1677	1669	1655
Jan	1670	1685	1682	1670
Apr	1676	1690	1675	1673
Jul	1410	1410		
Oct	1530	1530	1530	
Jan	1671	1673		

Turnover 345 (118)

GRAINS - BFE £/tonne

Wheat	Close	Previous	High/Low	
Jan	114.80	113.95	115.10	113.85
Mar	118.05	117.45	118.15	117.45
May	121.20	120.55	121.20	120.55
Jul	122.65	121.95	122.65	122.25
Sep	105.15	104.90	105.00	
Nov	107.95	107.80	108.00	107.95
Barley	**Close**	**Previous**	**High/Low**	
Jan	111.00	111.15	111.35	111.25
Mar	113.60	113.85	114.10	113.60
May	115.50	115.50	115.65	115.55

Turnover: Wheat 548 (683), Barley 44 (67). Turnover lots of 100 tonnes.

PIGS - BFE (Cash Settlement) p/kg

	Close	Previous	High/Low	
Nov	121.5	122.5	121.5	
Feb	110.5	111.5	109.5	
Apr	110.0	111.5	110.0	
Jun	111.5	110.5		
Aug	110.0	110.5		
Oct	109.0	114.0	108.0	

Turnover 55 (30) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	410½-411	262¼-263¼
Opening	409-409½	261¾-262¼
Morning fix	410.40	262.270
Afternoon fix	409.75	262.334
Day's high	410½-411	
Day's low	408¼-408¾	
Coins	**$ price**	**£ equivalent**
Maple leaf	420-425	269-272
Britannia	420-425	269-272
US Eagle	420-425	269-272
Angel	420-425	269-272
Krugerrand	410-413	262½-264½
New Sov.	97-98	62-62¾
Old Sov.	97-98	62-62¾
Noble Plat	525.20-533.50	336.45-341.75
Silver fix	**p/fine oz**	**US cts equiv**
Spot	358.45	560.10
3 months	371.80	571.65
6 months	384.85	582.70
12 months	410.05	604.95

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1600	133	132	7	25
1700	60	72	34	63
1800	19	34	92	122
Copper (Grade A)	**Calls**		**Puts**	
2400	143	150	32	83
2500	82	101	70	131
2600	42	65	129	193
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
650	44	61	6	28
700	15	36	27	50
750	3	16	65	81
Cocoa	**Mar**	**May**	**Mar**	**May**
600	62	77	18	22
650	35	48	41	44
700	17	29	73	74
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
1800	40	49	10	28
1850	10	26	30	56
1900				

COTTON

Liverpool-Spot and shipment sales for the week ended 24 November amounted to 391 tonnes against 190 tonnes in the previous week. Trading was fair with operations occurring in Russian, West African and Chinese growths.

US MARKETS

IN THE METALS, profit taking continued to weaken the gold, silver and platinum nmarkets, reports Drexel Burnham Lambert. Platinum featured the biggest setback falling 760 basis January. Copper gained 120 basis December from mostly commission house activity. In the softs, sugar featured two-sided action before closing slightly lower. Cocoa also slipped in light volume. Coffee continued to be uneventful. The grains featured consolidation after Mondays heavy declines. All markets closed near unchanged levels. In the livestocks, pork bellies fell the limit in active trading. Live hogs and cattle were down from spillover selling. Lower cash prices were noted. Cotton *remained lower after Mondays limit* move. The energy markets sank as the OPEC talks kept trading choppy.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	413.4	413.9	0	0
Dec	413.5	414.1	415.7	409.0
Jan	416.7	417.2	0	0
Feb	419.4	419.8	421.7	414.8
Apr	424.5	424.8	427.0	419.0
Jun	429.4	429.6	431.5	424.0
Aug	434.0	434.1	430.8	428.5
Oct	438.8	438.8	440.5	434.0
Dec	443.7	443.6	444.5	437.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	529.5	535.6	531.5	521.0
Apr	534.5	540.6	537.0	527.5
Jul	543.0	547.1	543.5	536.0
Oct	544.0	554.1	544.5	544.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	569.3	569.0	0	0
Dec	569.5	569.3	573.0	559.0
Jan	573.6	573.4	563.0	563.0
Mar	583.0	582.5	586.5	571.5
May	591.1	590.6	595.0	580.0
Jul	599.3	598.8	602.5	588.0
Sep	607.6	607.2	610.5	598.5
Dec	619.9	619.4	624.0	609.0
Jan	623.5	623.0	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Nov 28	Nov 27	mnth ago	yr ago
1831.5	1836.3	1845.8	1880.8

DOW JONES (Base: Dec. 31 1974 = 100)	Nov 27	Nov 24	mnth ago	yr ago
Spot	129.12	131.08	130.09	138.23
Futures	131.26	132.41	129.38	139.03

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	112.50	111.40	0	0
Dec	112.60	111.50	112.90	111.60
Jan	110.55	109.15	110.25	109.50
Feb	109.35	108.90	108.75	108.75
Mar	107.95	107.60	109.00	107.00
Apr	107.40	107.10	108.30	108.30
May	106.65	106.40	107.30	106.00
Jul	105.65	105.60	106.30	105.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	19.38	19.63	19.79	19.35
Feb	19.19	19.45	19.60	19.16
Mar	19.04	19.31	19.43	19.01
Apr	18.90	19.16	19.27	18.89
May	18.77	19.02	19.11	18.77
Jul	18.61	18.74	18.84	18.61
Aug	18.50	18.60	18.69	18.50
Sep	18.38	18.48	18.57	18.35
Oct	18.36	18.39	18.45	18.36

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	6035	6092	6150	6020
Jan	5965	6043	6090	5950
Feb	5810	5875	5925	5790
Mar	5580	5605	5645	5560
Apr	5325	5365	5395	5320
May	5180	5165	5200	5175
Jul	5030	5030	5040	5025
Aug	5080	5075	5080	5060
Sep	5170	5185	5170	5170

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	888	905	907	880
Mar	915	918	917	905
May	924	927	925	916
Jul	935	940	940	929
Sep	950	960	950	943
Dec	970	977	973	967
Mar	993	998	990	985

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	72.75	72.39	73.20	72.30
Mar	76.27	75.61	76.40	75.75
May	78.60	77.72	78.70	78.00
Jul	80.80	80.00	80.80	80.30
Sep	82.90	82.13	82.60	82.25
Dec	85.60	84.96	85.50	85.50
Mar	88.25	87.50	88.00	88.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	14.98	15.00	0	0
Mar	14.58	14.60	14.74	14.48
May	14.32	14.40	14.53	14.28
Jul	14.12	14.22	14.33	14.08
Oct	13.74	13.86	13.95	13.73
Mar	13.05	13.10	13.05	13.00

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	69.98	71.08	71.00	69.75
May	71.00	71.90	71.90	70.80
Jul	71.02	71.80	72.00	70.80
Oct	66.40	66.35	67.00	66.10
Dec	64.40	63.90	64.60	63.60
Mar	64.60	64.50	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	129.50	129.25	130.00	128.70
Mar	128.05	127.60	128.35	127.00
May	127.45	127.10	127.80	127.10
Jul	127.40	127.10	127.50	127.26
Sep	126.15	125.90	0	0
Nov	126.15	125.90	0	0
Mar	124.95	124.90	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	579/6	576/2	580/0	575/0
Mar	592/4	589/0	592/6	589/0
May	604/2	600/4	604/4	599/6
Jul	612/6	609/2	612/6	607/4
Aug	613/0	610/2	613/0	609/0
Sep	604/0	603/4	604/4	603/0
Nov	604/0	602/4	604/4	600/4
Jan	615/0	613/4	615/0	611/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	18.77	18.71	18.87	18.68
Jan	19.03	18.91	19.08	18.89
Mar	19.44	19.31	19.51	19.31
May	19.82	19.70	19.84	19.57
Jul	20.07	19.95	20.14	19.95
Aug	20.09	19.97	20.10	20.02
Sep	20.10	19.97	20.10	20.10
Oct	20.12	20.10	20.10	20.15

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	184.4	184.1	184.5	183.3
Jan	184.4	183.9	184.5	183.1
Mar	184.3	183.4	184.5	182.7
May	183.3	182.4	183.5	181.6
Jul	183.6	182.4	183.8	181.8
Aug	183.5	182.1	184.0	182.2
Sep	183.5	182.4	184.0	182.2
Oct	183.1	182.5	183.5	181.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	234/2	233/2	234/4	232/6
Mar	238/6	237/4	233/0	237/2
May	242/6	242/0	243/2	241/4
Jul	246/4	245/2	247/0	245/2
Sep	239/6	238/2	242/0	239/4
Dec	237/0	235/0	238/2	235/4
Mar	244/0	241/4	244/4	243/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	406/6	408/6	409/0	406/4
Mar	408/2	408/6	410/0	408/0
May	390/0	389/4	391/4	389/2
Jul	362/0	360/4	363/0	360/0
Sep	368/0	365/0	367/4	364/4
Dec	376/6	375/4	378/0	376/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	75.47	75.92	76.00	75.30
Feb	74.92	75.55	75.62	74.80
Apr	74.47	74.85	74.87	74.40
Jun	72.12	72.30	72.30	71.95
Aug	70.30	70.36	70.35	70.10
Oct	69.97	70.05	70.12	69.90

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	50.67	50.90	51.20	50.50
Feb	50.15	50.80	[illegible]	49.92
Apr	46.10	46.57	46.75	45.95
Jun	49.77	50.17	50.00	49.55
Jul	49.80	50.25	50.20	49.80
Aug	48.90	49.15	49.05	48.65
Oct	44.30	44.45	44.40	44.30
Dec	45.77	45.80	45.77	45.77

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	62.55	64.55	64.50	62.55
Mar	61.57	63.57	63.50	61.57
May	61.02	63.02	62.80	61.02
Jul	58.90	60.75	61.00	58.80
Aug	57.00	58.75	59.05	57.00

LONDON STOCK EXCHANGE

Financial sectors lead equities higher

A STEADIER performance by the pound, at least in the early part of the session, put some heart back into the UK equity market yesterday. Trading volume improved, but dealers were cautious over expressing too much enthusiasm.

Helped by a better than anticipated performance from Wall Street the London market made good headway, before slipping below its best in late dealings as the pound's advance slackened and Mr John Major, UK Chancellor of the Exchequer, warned on inflation prospects.

Much of yesterday's buying was focused on the financial sectors, which are regarded as defensive stocks in an increasingly nervous market. Over the equity sectors as a whole, the domestic institutions sold as much, if not more, stock than they bought, according to traders at the big securities firms; foreign funds were largely inactive.

The Footsie Index gained 22 points in early trading and held this for most of the day. The final reading showed the FT-SE Index at 2,242.0, a net gain of 17.7 points. Seaq volume moved higher to record trading of 436.8m shares, a good improvement on Monday's 333.3m, but still well below profitable levels, from the viewpoint of the trading firms.

Turnover included a substantial contribution from Pearl Assurance as Australian Mutual Provident (AMP) effectively won its bid for control of the UK life company. Pearl shares are widely held by UK institutions, and the group is in turn a holder of stakes in more than 30 UK unit trusts.

The apparently successful conclusion of the £1.24bn Pearl bid fuelled speculation in a market already presented with four bids so far this week, including the £950m agreed acquisition of Morgan Grenfell, the UK merchant bank, by Deutsche Bank.

Financial issues, already wanted because next year's dividend prospects are considered to be more favourable than in the industrial sector, closed very strongly as takeover speculators joined in.

At the same time, selected engineering stocks also entered the takeover lists after Elektrisk Bureau of Norway said it would announce a major acquisition today – although there is no guarantee that it will be in the UK.

For all these excitements in selected sectors, the overall gain in the market owed much to marking-up activity by marketmakers. The firmness in the pound reduced, for the time being at least, fears that foreign funds might be poised to sell UK stocks. The domestic institutions are concentrating new investment money on the plethora of bid situations.

"It would be wrong to say that the institutions were piling in yesterday," warned the head trader at a major UK securities house.

Account Dealing Dates		
*First Dealings:		
Oct 30	Nov 13	Nov 27
Option Declarations:		
Nov 9	Nov 23	Dec 7
Last Dealings:		
Nov 10	Nov 24	Dec 8
Account Day:		
Nov 20	Dec 4	Dec 18

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Nov 28	Nov 27	Nov 24	Nov 23	Nov 22	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	83.60	83.64	84.10	83.70	83.86	86.96	89.29 (8/2)	83.50 (20/11)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.62	92.58	92.80	92.71	93.17	97.31	99.59 (15/3)	92.52 (28/11)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1768.3	1753.2	1754.9	1754.1	1734.4	1455.4	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	290.7	300.0	298.7	291.4	290.5	181.1	300.0 (27/11)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2242.0	2224.3	2222.4	2220.5	2192.3	1785.9	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.82	4.86	4.85	4.77	4.81	4.90				
Earning Yld %(full)	11.61	11.66	11.68	11.44	11.54	12.53				
P/E Ratio(Net)(*)	10.41	10.35	10.36	10.56	10.46	9.77				
SEAQ Bargains(5pm)	24,410	22,918	29,956	24,474	20,977	21,926				
Equity Turnover(£m)†	-	836.92	820.46	729.24	690.03	800.34				
Equity Bargains†	-	23,178	30,024	23,364	20,926	24,443				
Shares Traded (mil)†	-	278.3	369.3	302.0	282.5	360.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. ♮ Nil 10.32

Ordinary Share Index, Hourly changes Day's High 1772.2 Day's Low 1757.6

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1757.6	1763.8	1771.5	1769.6	1771.1	1771.7	1768.6	1766.5

FT-SE, Hourly changes Day's High 2246.8 Day's Low 2229.7

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2229.7	2237.2	2246.5	2243.3	2244.8	2246.1	2243.3	2243.6

GILT EDGED ACTIVITY

Indices	Nov 27	Nov 24
Gilt Edged Bargains	73.9	86.7
5-Day average	78.8	82.1

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT indices, of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request. London report and latest Share index: Tel. 0898 123001.

Drilling blow at Enterprise

An oil and gas sector on tenterhooks awaiting news of the latest agreement between OPEC producers was upset during the morning as Enterprise Oil, one of the UK's most successful exploration and production companies, said it had plugged and abandoned its first exploration well off the coast of Vietnam.

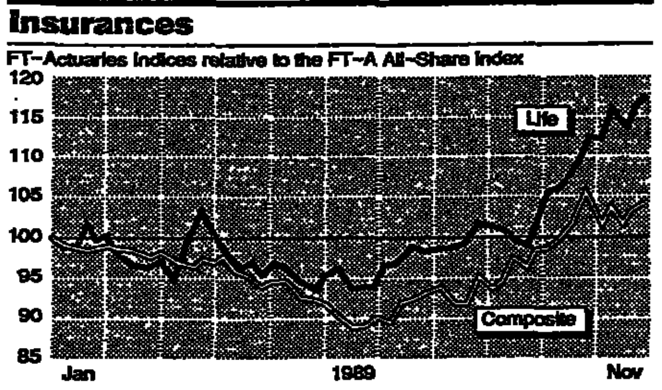
The news was given an unfavourable reception by City analysts and the shares fell to 617p before closing at 626p, a net loss of 13. Enterprise shares have run up strongly over the past couple of months as analysts and fund managers backed the group's exploration expertise, given a big boost last year by the discovery of the Nelson Field in the North Sea.

Some analysts said recently that any discovery in the Vietnamese waters could have been worth as much as 100p on the Enterprise share price, and at least 50p a share. As one dealer said yesterday: "It was a good old fashioned oil drilling story and every oil fund manager would tell you that the average worldwide drilling/success ratio is about one in ten." Mr Chris Grudniewicz of Smith New Court said that despite this setback "the company remains the best quality core holding in the UK exploration and production companies." Mr Simon Elliston of Citicorp Scrimgeour Vickers was less enthusiastic. "This leads up to an uninteresting period for Enterprise. There are only two wells scheduled for the Vietnamese drilling programme next year, and it seems to me that the only support for the shares will come from bid speculation; we recommend switching out of Enterprise into LASMO." The latter rose 8 to 547p after the encouraging drilling report from its North Sea well on 3/8b-14z.

Pearl taken

Panmure Gordon, brokers to Australian Mutual Provident, moved in swiftly yesterday to pick up the 10.3m odd shares in Pearl that it needed to take the Australian group above the crucial 50 per cent level and gain control of the long-established UK life group.

Paying 690p in cash, Panmure finished its buying spree before midday, announcing just after noon that it spoke for 50.63 per cent of Pearl stock. Pearl closed 3 easier at 688p. Dealers expect the price to dip to around 670p-680p today, allowing for the bid's time span.



"It's all very sad," said one dealer. "Pearl went out with a whimper and the market is now looking for the next possible victim". He added that the damage had been wrought on Monday, "when the world was bailing out of Pearl and AMP picked up the crucial 7m or 8m shares." The 690p a share bid valued Pearl at £1.24bn.

One senior analyst in the life sector said that Pearl had put too much weight on the appraisal value argument "which quite clearly was not enough."

Argyll doubt

Argyll were busily traded following news of a 34 per cent rise in interim profits. The £111.8m profits were in line with market expectations and compared with £83.4m last time. But Argyll lagged the rest of the market as dealers worried about its smaller-than-expected rise in operating profit margins.

Mr Phillip Dorgan of Goldman Sachs said that this might deter investors over the short-term. "On a longer-term basis I would favour Argyll, but over the next six months I would rather be in Sainsbury or Tesco. Argyll are converting their stores during a tough time for retailers," he said.

After the results, Kleinwort Benson reduced its estimate for profits this year after exceptional items to £226m from £228m. BZW now expects £231m against £232m, on the same basis of comparison, while Goldman Sachs left its £225m estimate unchanged. Argyll closed 3½ higher at 205p.

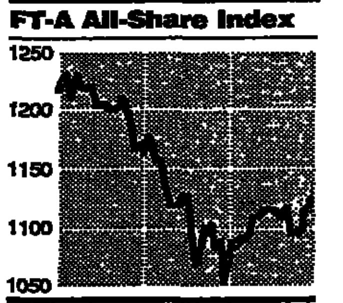
The rest of the life sector moved higher in the wake of the toppling of Pearl. "It seems that the ring of crossholdings that have up to now protected the life issues are no longer sufficient to repel boarders," was the view of a senior analyst who said that Refuge, where French group Athena has quietly been increasing its holding to a last-revealed 9.34 per cent, may be the next target for Continental predators. Refuge shares moved up 8 to 687p. Legal & General, which has no shareholders above the 5 per cent level and is regarded as possibly the best quality life group in the UK, were another said to be highly attractive to overseas groups, and moved up 8 to 387p. London & Manchester edged up 2 to 338p. Sun Life advanced 20 more to 1255p as speculators gambled on UAP, the French group taking a tilt at the company. But specialists said there was a suspicion that the company may well be preparing a rights issue which would enable UAP to top up its stake as well as providing funds for Sun Life.

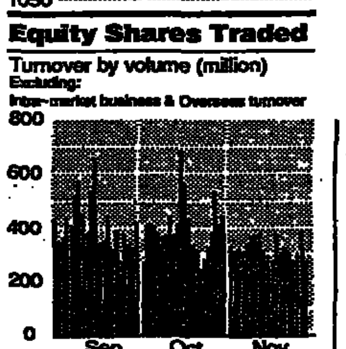
Composite insurances took their cue from the lifes and made strong progress across the board. Guardian Royal Exchange (GRE) shrugged aside a profits downgrading by County NatWest and responded instead to a market rumour that Italian insurance group Generali may be building a stake in the group with dealers saying that recent big turnover in GRE could add up to someone stakebuilding. "I've always felt that GRE, along with Commercial Union, are the likeliest bid candidates in the sector," noted Mr Andrew Goodwin at UBS Phillips & Drew. GRE shares closed 9 up at 236p on turnover 4.8m. But the biggest turnover in composites came in Royals where 5.3m shares changed hands as the stock rose 4 to 492p amid further keen US buying interest. General Accident, up 23 at 1101p, reflected strong support after Tuesday's presentation to Scottish institutions hosted by Paribas.

The big banks were well supported with Midland helped by renewed demand for the traded options and 3 firmer at 348p. Switching out of Lloyds and into Barclays left the latter 6 higher at 530p.

Blue Circle eased 2 to 210p but dealers paid more attention to turnover in the stock which totalled 4.6m; "Hanson report tomorrow and that in itself is reason enough for us to be on the alert," said one trader in Blue Circle.

Cable & Wireless rose strongly, closing 11 higher at 482p on 2.6m, with dealers taking the view that the shares have been oversold in recent weeks. Ferranti, where 9.1 shares were traded, edged up 2 to 47½p. Dealers reiterated that the price a potential bidder would be prepared to pay would have little to do with the recently announced revised figures but everything to do with the potential for earnings from the company's order book – "where a worst case scenario for sales would be in the region of £800m compared with last year's figure of £900m," as one analyst put it.





Yorkshire Chemicals advanced on the news that Holliday Chemicals, a private company, now has a 5.05 per cent stake in Yorkshire. The shares rose to 354p before coming back to end at 345p, a gain of 6p. Mr Jeremy Chantry at Kleinwort Benson said: "It is difficult to know what is behind this move by Holliday, but is unlikely they could launch a bid on their own."

Approval from the US Food and Drug Administration for the production of Eminase, a drug for heart attack victims, lifted SmithKline Beecham. The shares, which gained 3 to 568p after touching 572p, were said to have also been buoyed by the company's recent presentations to analysts and shareholders. Amersham International moved up 12 to 374p on renewed talk of a bid.

Shanks and McEwan went higher on reporting a 27 per cent rise in interim profits. The shares gained 25 to 1415p.

More than 3m shares were traded in Pilkington as speculation of a bid returned to the market. The shares hardened 4 to 244p. Beazer firmed 5 to 159p, on turnover of around 600,000.

Press comment indicating British Aerospace had made substantial gains through property revaluations following its 1987 takeover of Rover Group, reversed the company's downward trend of the previous day.

The shares were further supported by the publication of a report from the UK National Audit Office which indicated that BAe had indeed acquired Rover group at a bargain price, a view widely shared by market analysts.

The shares had slipped the previous day following the news of difficulties in the financing of the Saudi Al-Yamama military equipment deal for which it is the lead contractor, and reported management difficulties at Airbus Industrie, in which BAe has a 20 per cent stake. Analysts however indicated they believed both problems were likely to be resolved in the near future. The shares closed 10 up at 509p.

Hawker Siddeley gained 5 to 612p on speculation that one of its subsidiaries may be bought by Elektrisk Bureau, from Norway, which said it plans to announce a major acquisition of a British company today.

Elektrisk would only say its proposed acquisition would fit one of its existing activities in the power generation and telecommunications fields.

. Speculation about the Elektrisk acquisition moved to Rolls-Royce, 5 up at 164p.

Lowndes Queensway slumped 5¼ to 5¾p on continuing talk that the company has run into trading difficulties under the impact of high interest rates. Dealers said that as the speculation swept around the market, strong selling pressure developed. Lowndes' share price now stands at almost quarter of the level of August's £18.5m 20p rights issue, which was 96 per cent taken up.

Among international blue chips, ICI edged up to 1113p with currency factors again playing a minor role in the share activity.

The property sector moved ahead strongly in anticipation of MEPC's final results on Thursday and on buying by market markers of selected stocks, including Land Securities and British Land.

MEPC is expected to announce net asset value of 900p, against 727p last time. Mr Andrew Walker of BZW said: "The market is expecting quite good results from MEPC and that is providing an incentive for the rest of the sector." MEPC was up 12 at 499p.

Shares in Bennett & Fountain, the troubled electrical wholesaler, nudged up 2 to 36p after the company delayed announcement of its full-year figures until Thursday. B&F has already warned of a significant pre-tax loss, and market sources were suggesting yesterday that the delay was prompted by the finalising of some disposals - in particular of the rental interests - which might sweeten the results.

Activity in United Newspapers, finally 20 up at 481p, reflected the renewed interest in the sector. BZW has recommended the stock, seeing a break-up value of 590p a share.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 26

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	[illegible]	[illegible]	[illegible]
Abbey National	[illegible]	[illegible]	[illegible]
Allied-Lyons	[illegible]	[illegible]	[illegible]
Amstrad	[illegible]	[illegible]	[illegible]
Argyll Group	[illegible]	[illegible]	[illegible]
Ass. Brit. Foods	[illegible]	[illegible]	[illegible]
BAA	[illegible]	[illegible]	[illegible]
BAT Inds.	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC	[illegible]	[illegible]	[illegible]
BPB Inds.	[illegible]	[illegible]	[illegible]
BTR	1,500	426	+6
Barclays	2,600	530	+6
Bass	377	1002	+9
Blue Circle	4,600	210	-2
Boots	1,200	260	+3
Brit. & Comm.	4,200	92	+4
Brit. Aerospace	2,800	513	+14
British Airways	3,300	206½	+2½
British Gas	6,400	210¼	+1
British Land	1,200	314	+18
BP	3,900	310½	-½
British Steel	10,800	124	+1
British Telecom	2,500	267	+½
Burmah Oil	180	678	+3
Burton	1,950	189	+1
Cable & Wireless	2,600	482	+11
Cadbury Schweppes	856	336	+3
Carlton Comms.	335	835	+14
Commercial Union	1,400	451	+9
Cookson	1,100	269	+2

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Grand Met.	1,600	544	+4
GUS A	427	1063	+10
GRE	4,800	236	+9
GKN	340	388	+7
Guinness	708	598	+6
Hammerson 'A'	50	770	+1
Hanson	5,100	228	+1
Harrisons & Cros.	1,400	143	-3
Hawker Siddeley	781	612	+5
Hillsdown Hldgs	436	256	
IMI	858	199	+3
ICI	803	1112	+2
Inchcape	1,100	275	+9
Jaguar	1,600	835	
Kingfisher	272	296	+7
Ladbroke	1,100	290	+1
Land Securities	1,200	583	+10
Laporte	183	464	+1
Legal & General	1,900	386	+7
Lloyds Bank	851	434	+4

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Pearl	31,600	688	-3
Pearson	83	714	+4
P & O	908	562	+15
Pilkington	3,200	244	+4
Polly Peck Intl.	2,100	374	-1
Prudential	6,600	212	+3
RMC	421	411	+1
RHM	462	643	+1
RTZ	548	528	+1
Racal	1,500	243	+3
Rank Org.	240	871	+13
Reckitt & Colman	164	1205	+16
Redland	333	522	
Reed International	1,600	416	+1
Reuters	1,200	940	+18
Rolls Royce	3,500	164	+5
Rothmans	379	640	-4
Royal Bk of Scotland	2,000	188	+2
Royal Insurance	5,300	492	+4
STC	755	268	-3

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Storehouse	1,600	118	+3
Sun Alliance	2,700	305	+5
T&N	1,330	187	+1
TI Group	2,000	400	-2
TSB	2,600	117½	
Tarmac	1,200	219	+3
Tate & Lyle	482	267	+3
Taylor Woodrow	378	352	+1
Tesco	950	185½	+1½
THORN EMI	485	745	-10
Trafalgar House	1,500	336	+6
Trusthouse Forte	1,200	295	+4
Ultramar	1,000	337	+2
Unilever	949	673	+2
United Biscuits	499	349	-3
Utd. Newspapers	381	481	+20
Wellcome	520	730	+12
Whitbread 'A'	1,500	376	+4
Williams Hldgs.	1,300	235	+2½
Wimpey	159	229	+2

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (49).
BRITISH FUNDS (1) AMERICANS (2) BANKS (5) BUILDINGS (1) STORES (1) ELECTRICALS (2) ENGINEERING (1) FOODS (1) INDUSTRIALS (4) Baxter Intl., Flogas, Hestair, Huntingdon Intl., INSURANCE (7) TRUSTS (18) OILS (2) OVERSEAS TRADERS (1) MINES (1).
NEW LOWS (88).
BRITISH FUNDS (11) AMERICANS (1) BREWERS (1) BUILDINGS (3) STORES (4) ELECTRICALS (8) ENGINEERING (2) INDUSTRIALS (11) ASD, Charterhall, Delaney, Ibex, Omnitech, Silentnight, Spandex, TLS Range, Westmex, Wiltshire Group, Wyko, LEISURE (1) PAPERS (3) PROPERTY (7) TEXTILES (2) TOBACCOS (1) TRUSTS (7) OILS (4) THIRD MARKET (2).

APPOINTMENTS

Boots makes changes at subsidiaries

■ The Boots Company has appointed Mr Peter Dobson as managing director and Mr Alan Bowe as director of marketing and merchandising at Payless DIY; and Mr Martyn Bell as director marketing and merchandising, A.G. Stanley.

■ YORKSHIRE BANK DEVELOPMENT CAPITAL, a subsidiary of Yorkshire Bank, has appointed Mr Ian A. Wilson as assistant director. He was formerly with Legal and General Ventures, London.

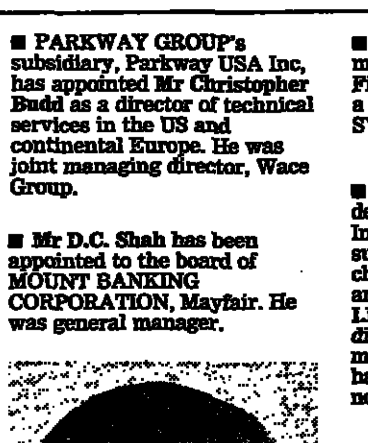
■ RESEARCH MACHINES, Oxford, has appointed Mr Michael Greig as finance director. He was group finance director, Case Group.

■ Mr Merlyn Rees, MP, and Mr Philip Court, chief executive of the Birmingham Midshires Building Society, have joined the national board of GROUNDWORK, an environmental regeneration network which specialises in working with industry and commerce.

■ Mr Piev Ellis, managing director of Gypsum Industries, Ireland, has been appointed a non-executive director of British Gypsum, both BPB INDUSTRIES subsidiaries.

■ PARKWAY GROUP's subsidiary, Parkway USA Inc, has appointed Mr Christopher Budd as a director of technical services in the US and continental Europe. He was joint managing director, Wace Group.

■ Mr D.C. Shah has been appointed to the board of MOUNT BANKING CORPORATION, Mayfair. He was general manager.



From December 1 Mr Chris Swinson (above) will take over from Mr James Scott as national managing partner of BDO BINDER HAMLYN. He is head of the London region corporate services division, and national director of professional standards. Mr Scott wishes to return to a client-oriented post. Mr Richard Hall becomes head of corporate services division.

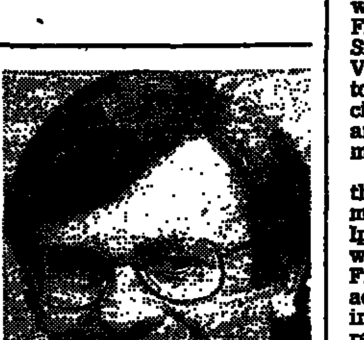
■ Mr Mike Whm, former managing director of Apricot Financial Systems, has become a consultant with PREMIER SYSTEMS (LONDON).

■ Mr T.G. Abell, formerly deputy chairman of Baring Investment Management, has succeeded Mr D.A. Pease as chairman of Church, Charity and Local Fund Managers. Mr I.P. Sedgwick, group managing director (investment management) of Schroders, has been appointed a non-executive director.

■ Mr John Wood-Collins has been appointed managing director, London petroleum group, and Mr Eric Leon becomes managing director, London chemicals group, at ARTHUR D. LITTLE.

■ Mr Martin S. Harrison has been appointed a director of BANKERS TRUST INVESTMENT MANAGEMENT. He joins from Schroder Investment Management, and will be responsible for UK equities and pension funds.

■ BRADSTOCK GROUP has appointed Mr Philip H. Davies as a director of Bradstock Blunt (Northern) from January 1; and Mr Colin R. Eaton as an associate director of Bradstock Blunt & Thompson from December 1.



BUDGENS has appointed Mr Derek Pretty (above) as group finance director from December 1. He joins from Waterstone's, a chain of bookshops recently taken over by W.H. Smith.

■ Following the take-over of Bardsey by the BECKENHAM GROUP, Mr Harry Westropp, managing director of Bardsey, becomes group managing director of Beckenham. Mr Michael Pearson, who holds 28.1 per cent of Bardsey and was a non-executive director, becomes a non-executive director of Beckenham. Mr David Burnet, non-executive chairman of Bardsey, has retired.

■ Mr David Bennett, managing director of Powerhouse Europe, has been appointed chief executive of EUROPEAN BUSINESS ADVISORY GROUP.

FT LAW REPORTS

Strong reason is needed to appeal from rent arbitrator

IPSWICH BOROUGH COUNCIL v FISONS PLC

Court of Appeal (Lord Donaldson, Master of the Rolls, Lord Justice Woolf, and Lord Justice Beldam). November 24 1989

LEAVE TO appeal from a non-"commercial" arbitration award is granted on the criteria applicable to commercial disputes; and accordingly, the presumption in favour of finality of the award will be rebutted, not if there is merely real doubt that the arbitrator was right, but only if brief argument shows a strong *prima facie* case that he erred in law.

The Court of Appeal so held when dismissing an appeal by Fisons plc from a decision of Sir Nicolas Browne Wilkinson, Vice-Chancellor, giving leave to the Ipswich Borough Council to appeal from an interim arbitration award in a rent matter.

LORD DONALDSON said that by clause 2 of an agreement made in 1982 between Ipswich and Fisons, Ipswich was bound to offer a lease to Fisons. Fisons refused to accept it because the terms included provision for rent reviews to which it strongly objected.

The clause provided what was to happen in such an event.

An independent expert was to be appointed, to consider the parties' representations and to determine the terms of the lease.

The independent expert was an expert, not an arbitrator. He was not determining the parties' rights and obligations. They were not in dispute. He was fixing terms in the exercise of his professional skill and judgment which he, in his discretion, thought appropriate.

Ipswich had agreed in advance that it would accept those terms and offer them to Fisons.

The parties did not see it like that. They seemed to have concluded that the independent expert would be acting as arbitrator and would determine what terms for such a lease had been agreed by them *under the 1982 agreement*. They appointed Mr David R Crome.

He declined to become involved in matters which called for a surveyor's expertise, but by his interim award he purported to decide all other matters. He left it to a surveyor to determine the appropriate rent, having laid down the criteria to be applied, including that the rent was to be such as would have been agreed between the parties by a contract made in 1955 for a lease which made no provision for rent review.

The Vice-Chancellor gave leave to appeal to the High Court from the award.

In *Lucas Industries v Welsh Development Agency [1986] Ch 500* he had held that the guidelines appropriate to the grant or refusal of leave to appeal in commercial and shipping contracts (see *The Nema [1982] AC 724* and *The Antaios [1985] AC 191*) would not be directly applicable in rent review disputes.

He had held that the appropriate guideline was that if, after hearing submissions, the judge was left in real doubt whether the arbitrator was right in law, leave should be given.

Applying the *Lucas* test in the present case, he said he was left "in real doubt" as to whether the arbitrator was right, and granted leave.

The present appeal from his decision raised two issues:
(i) What criteria should be adopted in deciding whether to grant leave to appeal under section 1(3) of the Arbitration Act 1979, when the subject matter was not "commercial" in the sense of being concerned with contracts of maritime affreightment as in *The Nema* and *The Antaios*?
(ii) Did the Vice-Chancellor misdirect himself when exercising his discretion to grant leave to appeal?

In *Aden Refinery v Ugland [1987] 1 QB 650* to which the Vice-Chancellor did not appear to have been referred, Lord Justice Mustill pointed out that in *The Nema* and *The Antaios* there was a clear distinction between *passages* in the speeches which (a) constituted authoritative pronouncements on the spirit in which judges should approach the exercise of discretion under section 1(3); and (b) guidelines or *illustrations* of the way in which, approaching the matter in that spirit, the discretion would be exercised in commonly encountered situations.

The approach should always be consistent with what Lord Diplock had described in *The Nema* as "a parliamentary intention to give effect to the turn of the tide in favour of finality in arbitral awards." On the other hand, the guidelines, as Lord Diplock had said in *The Antaios* were "not intended to be all-embracing or immutable, but subject to adaptation . . . to meet problems . . . not foreseen in *The Nema*."

If the Vice-Chancellor had been referred to *Aden Refinery* he would have said that in rent review cases, as in all other applications for leave to appeal from arbitrators, the court should approach the matter in the frame of mind dictated by *The Nema* and *The Antaios* - namely, with a *bias* towards finality.

It was settled law that a decision on whether or not to grant leave to appeal should be reached after only brief argument.

What underlay the *Nema* and *Antaios* philosophy was that there was always a presumption in favour of finality and, where there was nothing to rebut it, the application for leave should be refused.

Rebuttal must always be based on at least a suspicion that the arbitrator had gone wrong. Real doubt was not sufficient. But the requisite degree of suspicion might vary according to the seriousness of the consequences of error to the parties and to a wider public.

The House of Lords' guidelines with regard to one-off contracts - that an obvious case of error should be shown - assumed that the effect would also be one-off.

That might be true of the last rent review. It would not be true of earlier rent reviews. There the long term effect on subsequent reviews would be analogous to the effect of decisions on standard terms, the only difference being that the *same rather than different* parties might be affected.

Accordingly, it might well be that in most rent review disputes the "standard terms" approach would be justified - a strong *prima facie* case of error should be shown. "Strong" was an imprecise term. No meter could be applied or devised. It was a matter of relative values.

If the chosen arbitrator was not a lawyer and the whole dis*pute centred on a difficult* question of law, less strength might be required. Similarly the degree of strength would be affected by whether the clause in question was commonly encountered so that others would benefit from an authoritative decision. And there was no reason why some account should not be taken of the seriousness of the consequences to the parties of the arbitrator's error.

But the bottom line must always be that the judge concluded there was a more or less strong, but still "strong" *prima facie* case that the arbitrator had erred in law.

The Vice-Chancellor applied the wrong test. It was not sufficient that he should have been left in real doubt whether the arbitrator was right. Nor did it matter whether the arbitrator's reasons might have been faulty, unless they cast doubt on his conclusions. It was always possible to arrive at the right answer for the wrong reasons, and in such a case leave should never be given.

If he were to give leave, he had at least to be satisfied that there was a more or less strong *prima facie* case for thinking that the arbitrators had erred on a question of law. It followed that the court had to exercise a fresh discretion.

No view was expressed as to whether any appeal should or should not succeed. That did not arise unless leave was given and, if so it was a matter *for the trial judge*, not for the present court.

There was a strong *prima facie* case for considering that Mr Crome had erred in law in the following respects:
(i) He approached the matter on the footing that he was an arbitrator jointly appointed by the parties; not an independent expert.
(ii) If he were an arbitrator, there was no real justification for his conclusion that the terms of the lease had to be what was appropriate in 1955.

Accordingly the Vice-Chancellor's decision was affirmed, but on different grounds.

Lord Justice Woolf and Lord Justice Beldam agreed.

For Ipswich: Kirk Reynolds (Borough Solicitor)
For Fisons: David Grant (Birkett Westhorp & Long, Ipswich)

Rachel Davies
Barrister

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AUTHORISED UNIT TRUSTS

Midland Unit Trusts Ltd—Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
(Accum Units)	6	170 8	170 8	182.7	-0.10	1.74
Meridian Income	6	108.4	109.7	117.3	+0.40	3.91
(Accum Units)	6	113.2	114.6	122.6	+0.40	3.91
Meridian Growth	6	120 7	121.6	130.0	+0.70	2.18
Midland Personal Pension Unit Trust *						
British	6	59 77	60 50	64.36	+0.85	3 08
European Growth	6	66.91	66.91	71.18	-0.49	0.87
Gilt & Fixed	6	50.89	50 99	54.24	+0.10	8.81
Income	6	54.50	55.44	58.99	+0.45	4.60
Japan Growth	6	65.84	66 25	70.48	-0.11	0 00
Managed	6	58.32	59.22	63.00	+0.12	2.09
Money Market	6	55.27	55 27	58.58	+0.01	12.99
North American	6	61.71	63.013	67.03	-0.08	0.41
Midland PSAVCS Unit Trust *						
British	6	55.53	56 19	59 78	+0.78	3.09
European Growth	6	63.96	64 05	68.14	-0.45	0.87
Gilt & Fixed Int	6	49.36	49 44	52.60	+0.09	8.83
Income	6	54.33	55.30	58.83	+0.46	4.61
Japan Growth	6	67.12	67 54	71 85	-0 12	0.00
Managed	6	56 42	57.30	60 96	+0.12	2.10
Money Market	6	52.40	52.40	55.55	+0.01	12.99

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Equity Inc	5	74.47	74.47	80.05		
Worldwide Acc	5	114 70	114 70	122 50	-0 80	0.31
Worldwide Inc	5	109.90	109.90	117.30	-0 70	0.31
UK High Inc Eq Acc	5	79.13	79.13	85.50	+0.73	6 01
UK High Inc Eq Inc	5	69 63	69.63	75.24	+0.56	6.01
Hong Kong Acc	5	47.54	47.54	50 70	-0 82	2.82
Hong Kong Inc	5	45.37	45.37	48.39	-0.79	2.82
Swiss Equities Acc	5	40.45	40 45	43 42	-0.54	1.05
Swiss Equities Inc	5	40.11	40.11	43 05	-0.54	1 05
W'wide Bond Acc	5	56.85	56.85	59.98	-0.54	5 66
W'wide Bond Inc	5	54.08	54 08	57.06	-0.52	5 66
Emerging Asia Acc	5	99.77	99.77	106 80	-0.30	0.00
Emerging Asia Inc	5	99 77	99 77	106.80	-0.30	0 00
Uk Money Mkt Acc	0	51.22	51.22	51.22	+0.02	14 00
UK Money Mkt Inc	0	51.22	51.22	51.22	+0 02	14 00
Thailand Inc	5	51 60	51 60	55.24	+0.17	0.55
Thailand Acc	5	51 60	51.60	55.24	+0 17	0.55

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	116.3	116.3	123.7	+0.5	3.58
PM Income & Gth	5	94.85	94.85	100.9	+0 1	4.33

Scottish Amicable Ut Tst Mgrs Ltd (1200)H
150 St Vincent St., Glasgow G2 5NQ 041 204 2300

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Do Income	5	48.80	48 80	51.72	+0.34	0.14
European Acc	5	32.31	32.31	34 24	+0 45	0.11
Do Income	5	31.90	31.90	33.81	+0.45	0.11
UK Eqty Inc Acc	5	41.38	43.55	46.33	+0 45	5 81
Do Income	5	36.36	38 24	40 69	+0 45	5 81
UK Cap Gwth Acc	5	27 94	27 94	29 61		0 75
Pac Basin Acc	5	45.55	45.55	48 28	+0.19	0.10
Managed Exempt	3	185 05	192.16	200.17	+0 98	2.60
Equity Income	6	42.37	43.52	46 35	+0 63	6 67
Equity Tst(10-1)	6	44.15	45.15	48 08	+0 92	2.87
Equity Strategy	6	51.75	52.98	56 42	+0 95	3 98
European Opps	6	62.20	63 04	67 14	-0 67	1.96
UK Smaller Co's	6	43 93	45 94	48 93	+0 36	2.22

Scottish Equitable Fd Mgrs Ltd (1200)H
28 St Andrews Sq, Edinburgh 031-558 1051

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Income	3¼	181.1	181 1	190.6		2.14
Intl Accum	3¼	287 6	287 6	302.6		2.14
UK General Acc	5	43 16	43.78	46.70	+0 48	3.38
Uk General Inc	5	39 29	39 76	42.41	+0.3	3.38
American	5	37.37	37.72	40.23	+0.39	2.13
European	5	56.30	56.56	60.34	-0.31	1.26
Japan	5	80.51	80.76	86 15	-0.39	0 03
Technology	5	51.12	51.26	54 68	-0 04	2.29
Ethical	6	20.80	21.23	22.70	+0.34	-
Performance Trusts						
Europe 2000 Intl Perf	5¼	36.96	37.11	39 69	-0 12	-
Far East Perf	5¼	36 76	37.04	39.51	-0.13	2.00
High Inc Perf Inc	5¼	25 98	26 57	28 35	+0.36	5.36
High Inc Perf Acc	5¼	29 04	29 70	31.68	+0.29	5.36
UK Blue Chip Perf	5¼	23 98	24.04	25.71	+0.21	-
UK & Global Perf	5¼	24.52	24.75	26.47	+0 38	-
W'wide Tact Perf	5¼	40.45	40.54	43 36	-0 05	2.72

Scottish Life Investments (1200)H
19 St Andrew Sq, Edinburgh 031-225 2211

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Nelson (UK)	5	249 4	250.1	267 5	+3 0	3.32
Columbus (US) (2)	5	186 9	186 9	199 7	+0 2	1 18
Marco Polo (Pac) (2)	5	283.2	288 4	308 5	-1 3	0 47
Da Vinci (Eur)	5	317.3	325 5	348 1	-3 2	1 62
Drake (Ww)	5	73 95	74 89	80 10	-0 14	0 56

Scottish Mutual Inv Mngrs Ltd (1200)F
109 St Vincent St, Glasgow G2 5HN 041-248 6100

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Equity	5¼	238.5	244 6	260 3	-2.50	3 35
Uk Smlr Cos Eqty	5¼	213 8	222 3	236 5	+1 30	3 41
UK Spec Sits	5¼	64.44	66 55	70 80	+0.20	2.17
Income Plus	5¼	60 94	62.51	66 50	-0 30	6.20
European	5¼	263 4	270.3	287 6	-1 30	1 45
Far Eastern	5¼	83 25	84 89	90 31	-0 70	2.32
Japanese	5¼	69.94	71.45	76.02	-0.30	0.00
North American	5¼	167 6	169 4	183 3	-0.50	1.41
Intl Growth	5¼	158.8	161.9	172.3	-0 80	1.45
Worldwide Venture	5¼	67.21	68.47	72 85	+0.10	3.31

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows. ¥ - 0001 to 1100 hours; ‡ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages

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OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	123.0	130.0	−2.0	−
Building Soc. Fd.	177.0	187.0		−
Balanced	280.0	295.0		−
European	195.0	206.0	−1.0	−
GT Managed	185.0	195.0		−
Gartmore Magd.	129.0	136.0		−
German	156.0	165.0		−
Gilt	172.0	182.0		−
Global	49.0	52.0		−
High Inc	106.0	112.0		−
International Equity	198.0	209.0	−1.0	−
Japan	293.0	309.0	+1.0	−
Managed	57.0	60.0		−
Property	298.0	314.0		−
R. W. Imperial Gold	147.0	155.0		−
UK Equity	316.0	333.0	+2.0	−
Pension Funds				
American	151.0	159.0		−
Building Soc. Fd.	181.0	191.0		−
Balanced	219.0	231.0		−
European	193.0	204.0		−
German	136.0	144.0		−
Gilt	153.0	162.0		−
International Equity	142.0	150.0		−
Japan	146.0	154.0		−
Managed	62.0	66.0		−
Property	228.0	240.0		−
UK Equity	303.0	319.0	+1.0	−

Professional Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton 0703 232323

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
133¾	124	Treas 2pc IL '90(84.6)	133	.....	2.09	9.98
99	98	Exch 11pc 1990‡‡	99	.....	11.10	14.68
101	99	Exch. 12½pc 1990	99	+	12.59	14.65
96	91	Treas. 3pc 1990	96	+	3.12	12.17
97	95	Treas 8¼pc 1987–90‡‡	97xd	+	8.49	13.90
98	95¼	Treas. 8pc Cv 1990 ‡‡	96	+	8.29	13.92
98	96	Treas. 10pcCv 1990	96	.....	10.32	13.73
93	87	Exch 2½pc 1990	92	.....	2.70	10.61
101	98	Treas 11¾pc 1991	98	+	11.97	13.54
93	89	Funding 5¾pc '87–91‡‡	92	.....	6.19	11.66
90	86	Treas 3pc 1991	90	.....	3.32	10.31
100	95	Treas 10pc Cv '91 ‡‡	95	.....	10.42	12.79
101	96	Exch. 11pc 1991	97	.....	11.30	12.60
94	91	Treas. 8pc 1992	92xd	+	8.69	12.55
106	100	Treas 12¾pc 1992‡‡	100	–	12.65	12.26
99	95	Treas 10pc 1992	95	+	10.45	12.23
94	90	Treas. 8pc 1992 ‡‡	91	+	8.74	12.21
100	96	Treas 10½pc Cv 1992‡‡	96	+	10.85	12.06
85	82	Treas. 3pc 1992	84xd	.....	3.54	10.00
105	100	Exch. 12¼pc '92	100	+	12.20	12.03
109	103	Exch 13½pc 1992	103	.....	13.02	11.89
94	90	Treas 8¼pc 1993	90	+	9.09	11.70
100	95	Treas 10pc 1993‡‡	95	.....	10.45	11.55
108	102	Treas 12½pc 1993‡‡	102	–	12.20	11.63
88	84	Funding 6pc 1993‡‡	86	–	6.94	10.38
113	107	Treas 13¾pc 1993‡‡	107	–	12.84	11.48
94	89	Treas. 8½pc 1994	90	+	9.41	11.44
117	110	Treas 14½pc 1994‡‡	110	–	13.12	11.31
113	106	Exch 13½pc 1994	106	–	12.62	11.42
100	95	Treas. 10pc Ln. 1994‡‡	95xd	.....	10.45	11.24
110	103	Exch. 12½pc 1994	103	–	12.04	11.40
96	91	Treas 9pc 1994‡‡	91	–	9.81	11.19

Five to Fifteen Years

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
108	102	Treas 12pc 1995	102	–	11.72	11.34
79	72	Exch 3pc Gas 90–95	76	.....	3.95	8.62

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS—Contd

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100	98	N'wide Anglia 12pc 4.12.89	99	.....	12.32	16.16
100	99	Do. 12pc 2.1.90	99	.....	12.86	15.44
100	98	Do. 12pc 29.1.90	99	.....	12.64	15.31
100	98	Do. 12pc 26.2.90	99	.....	13.00	15.36
100	98	Do. 12pc 19.3.90	99	.....	12.99	15.14
100	98	Do. 13pc 23.4.90	99xd	.....	13.46	15.33
100	98	Do. 13pc 14.5.90	99	.....	13.12	15.20
100	98	Do. 13pc 4/6/90	99	.....	13.73	15.18
100	99	Do. 14pc 2.7.90	99xd	.....	14.36	15.15
100	98	Do. 13pc 23.7.90	99	.....	13.75	14.96
100	98	Do. 13pc 13.8.90	98	.....	13.55	14.90
100	98	Do. 13pc Bds 3.9.90	99	.....	13.64	14.73
107½	98	Do. 3¾pc IL Ln 2021	107xd	.....	4.34	4.46
107½	99	Do. 4.25pcIL '24	106	+	4.32	4.30

Public Board and Ind.

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
47	43	Met. Wtr 3pc 'B'	45xd	.....	6.67	10.86

FOREIGN BONDS & RAILS

1989 High	1989 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	40	Greek 7pc Ass.	50	.....	3.50	7.00
50	40	Do 6pc 28 Stb Ass.	50xd	.....	3	6.00
50	40	Do 4pc Mixed Ass	50xd	.....	2	4.00
80	65	Hung '24 Ass.	80	.....	2.75	3.57
139	126	Hydro Quebec 15pc 2011	127	–	15.00	11.55
128	114	Iceland 14½pc Ln 2016	115	–	14.50	12.50
97	90	Ireland 9¾pc 91-96	90xd	.....	9.75	11.90

AMERICANS

[illegible]

Continued on next page

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
15⅛	847p	Hasbro Inc 50c	13⅝	....	16c	—	0.7
57½	32⅞	Honeywell $1½	50⅛	–⅜	$2.75	—	3.5
22⅝	15¼	Houston Inds.	21⅝	....	$2.96	—	8.7
76⅛	60⅞	IBM Corpn $1¼	63⅞	–1¼	$4.84	—	4.8
60p	45p	Image Storage/R.Sys 1c	50p	–2	—	—	—
32⅞	18¾	Ingersoll-Rand $2	30⅛	–¼	$1.20	—	2.5
33¼	22½	Lockheed Crpn. $1	24	.....	$1.80	—	4.7
22⅝	12½	Lone Star Inds $1	13⅛	+⅛	$1.90	—	8.6
27⅞	17½	Louisiana Land 15c	25⅛	–⅛	$1.00	—	2.4
20½	11½	Lowe's 50c	18¼	–⅛	48c	—	1.6
38⅛	15¼	Manuf. Hanover $1	23⅜	–⅛	$3.28	—	8.9
22⅝	13⅛	Merrill Lynch $1	16¼	....	$1.00	—	3.8
24¼	19⅛	Molex Inc	21¼	–⅛	3.2c	—	—
30½	18⅛	Morgan (JP) $2½	28⅛	+⅛	$1.66	—	3.7
28⅛	24⅛	Morris (Philip)	26½	–⅛	$1.13	—	2.7
54½	36⅛	NYNEX $1	53⅛	+⅛	$4.36	—	5.2
44p	16p	N'wide Legal Serv.	21p	–1	—	—	—
24⅞	18¼	PHH Corp.	23⅛	–⅛	$1.16	—	3.1
259p	167p	Pacific Agr.	178p	–2	—	—	—
28¼	19	Pacificorp $3¼	27⅛	–⅛	$2.76	—	6.0
30¼	16⅞	Pacific Telesis 10c	29⅛	+⅛	$1.88	—	4.0
22⅞	15¼	Pall Corp. 25c	21⅞	+⅛	48c	—	1.4
55⅛	39⅞	Pennzoil 83 1/3c	51⅛	+¼	$3.00	—	3.7
42¼	28⅛	Quaker Oats $5	38⅛	+¼	$1.43	—	2.3
32⅛	23½	Rep NY Corpn $5	30⅛	–⅛	$1.28	—	2.7
16¼	11⅛	Rockwell Intl $1	13⅛	–⅛	78c	—	3.7
29½	22	Sears, Roebuck 75c	24⅛	–⅛	$2.00	—	5.2
37½	21⅝	Southwestern Bell $1	34⅞	....	$2.60	—	4.7
27⅞	17⅛	Sun Co. Inc. $1	25⅛	+⅛	$1.80	—	4.5
31⅛	22⅛	TRW Inc. 62½c	29⅛	+⅛	$1.72	—	3.7
24⅞	14⅛	TW Services $5	21⅝	–⅛	—	—	—
40⅛	26⅛	Tenneco $5	37⅛	–⅛	$3.04	—	5.1
35⅛	28	Texaco $6.25	34⅛	–⅛	$3.00	—	5.5
28⅛	18⅛	Texas Instr. $1	23⅛	–⅛	72c	—	1.9
117⅛	58⅝	Time Inc. $1	85⅛	+⅛	$1.00	—	0.7
19⅝	13⅛	TRINOVA Corp.	14⅝	–⅛	68c	—	2.9
26⅛	16	USX $1	21⅛	....	$1.40	—	4.1
321p	126p	Unilab	300p	+4	—	—	—
36⅝	22⅛	Utd. Technologies	33⅛	+⅛	$1.60	—	3.0
158p	121p	Utilitech Inc.	137p	....	—	—	—
48¼	31½	US West	45½	+¼	$3.76	—	5.2
43⅛	22⅝	Waste Management $1	42⅛	+¼	60c	—	0.9
20½	13½	Whirlpool $1	18⅛	+⅛	$1.10	—	3.7
24¼	16⅛	Whitman Corp.	18⅞	–⅛	$1.02	—	3.5
46⅝	28⅛	Woolworth $3½	38⅝	+⅛	$1.88	—	3.1

CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
186p	129p	ABM Gold Corp	171p	–15	—	—	—
26p	4½p	Abbot Energy Corp.	26p	....	—	—	—
21⅛	902p	Amer. Barrick Res.	21	–⅛	—	—	—
39½p	10½p	Armeno	35p	–1	—	—	—
33½p	8½p	Augmitto Expln.	12p	+½	—	—	—
18½	12⅞	Bk Montreal	17¼	–⅛	$2.12	—	6.5
10⅛	655p	Bk Nova Scot	931p	–19	92c	—	5.4
826p	599p	BC Gas $1	822p	–4	60c	—	4.0
24¼	17	BCE	24⅛	–⅛	$2.44	—	5.5
17	12¼	Brascan	14¼	–⅛	88c	—	3.2
228p	108p	Bralwater Res.	184p	–9	10c	—	2.9
17⅝	11¼	Can Imp Bank	17½	....	$1.24	—	3.8
15¼	997p	Can. Pacific	13½	+⅛	76c	—	2.9
41½	37	Do 4pc Deb £100	37	....	4%	—	10.8
589p	374p	Central Capital "A"	555p	–17	—	—	—
585p	340p	Corona Corp.	582p	–3	—	—	—
461p	228p	Cons TVX Mrn	445p	–16	—	—	—
775p	492p	Derlan Inds.	493p	–3	11.75c	—	1.3
12½	751p	Echo Bay Mines	11⅞	–¼	$0.07	—	0.3
572p	336p	ECO Corp	397p	–16	—	—	—
417p	243p	Gandalf Techs. Inc.	340p	–1	—	—	—
186p	122p	Granges Inc.	132p	.....	—	—	—
27½p	3p	Gt Pacific Res.	5½p	.....	—	—	—
903p	651p	Gulf Canada	876p	–12	52c	—	3.2
15	10¼	Hawker Sid Can	14	....	$1.08	—	4.2
20⅛	11⅞	Hudson's Bay	17⅛	–⅛	60c	—	1.9
34⅝	23	Imperial Oil	33⅛	–⅛	$1.80	—	2.9
23⅞	14⅛	Inco	18⅛	–⅛	$0.80	—	2.8
290p	102p	Madeleine Mines	195p	–9	—	—	—
193p	98p	Muscocho Expln.	141p	–2	—	—	—
126p	60½p	Nevada Goldfields	77p	+3	—	—	—
593p	456p	Nova Corp of Alberta	479p	–2	42c	—	4.8
14½	10⅞	Rio Algom	12½	.....	85c	—	3.7
27¼	17⅛	Royal Bk. Can.	27	.....	$2.20	—	4.4
47⅛	33⅛	Seagram	54⅛	–⅛	US$1.40	—	1.6
700p	348p	Sechura Inc.	658p	–3	—	—	—
112p	73p	Sonora Gold Corp	104p	+2	—	—	—
109p	36p	Taro Pure Tech. Corp	44p	–7	—	—	—
12⅛	806p	Toronto-Dom. Bk	11¼	–⅛	76c	—	3.7
944p	696p	Trans Can Pipe	938p	+9	68c	—	3.9
184p	127p	Varity Corp	139p	+6	B–	—	—

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES — Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND — Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha β Beta, γ Gamma. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- "Tap Stock"
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- Interim since increased or resumed
- Interim since reduced, passed or deferred
- Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Not officially listed.
- Price at time of suspension
- Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress
- Not comparable
- Same interim; reduced final and/or reduced earnings indicated
- Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	86	......
Craig & Rose £1.. y	830	......
Finlay Pkg. 5p.... y	66	-2
Holt (Jos) 25p.... y	1343	......

IRISH

Cap. 8½% Ln. 1991..	£96⅞	......
9pc Cap Ln. 1996..	£96½	......
Fin. 13% 97/02..	£116	......
Arnotts........	400	......
Carrol (P J.)....... y	145	......
Hall (R. & H.).......	195	......
Helton Hldgs....... y	87	-3
IRG............	230	......
United Drug........	145	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	10
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	37
Lex Service	26
Lloyds Bank	31
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	25
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property	
Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils	
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines	
Lonrho	23
RTZ	45

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar soft against D-Mark

DOUBTS WERE raised about the Federal Reserve's attitude towards the dollar as the US currency continued to weaken against the D-Mark yesterday. It had been assumed that the Fed was content to see the dollar slide to correct the US trade deficit, but the benefits will be limited unless there is a similar movement against the yen, and this is not happening at present.

The dollar fell below DM1.79 yesterday, but rose against the yen as the market took note of Monday's surprising action by the Fed to drain reserves from the New York banking system. There were no more surprises yesterday. As expected, the Fed added temporary liquidity, via two-day system repurchase agreements. Federal funds were trading at 8⅝ per cent at the time, above the probable target level of 8½ per cent.

Monday's action appears to indicate that the target rate has not been lowered to 8¼ per cent, as suggested by Fed operations last week. This may indicate the US is still worried about inflation, in spite of a slowdown in the economy, and will not welcome further dollar weakness.

In nervous trading the dollar fell through a technical support point of DM1.79. This triggered stop loss selling, pushing the currency down to DM1.7700 in New York about two hours after the London close. At the finish of trading in London the dollar had fallen to DM1.7870 from DM1.7900; to SFr1.5955 from SFr1.6045; and to FFr6.1025 from FFr6.1125, but had firmed to Y143.70 from Y143.35. According to the Bank of England the dollar's index rose to 69.2 from 69.1.

The D-Mark also advanced strongly against the yen and in late trading against the pound. The West German currency rose to Y80.41 from Y80.08 at the London close and advanced to Y80.85 later in New York.

Sterling closed unchanged at DM2.7925 in London, after benefitting from an earlier technical recovery which left it above DM2.80 for much of the day, touching a peak of DM2.8125. In New York it fell to DM2.7825 however, but this was entirely a reflection of the D-Mark's strength. The pound closed in London 20 points higher against the dollar at $1.5625, rising to $1.5700 soon after in New York.

In terms of other major currencies sterling rose to Y224.50 from Y223.75, but fell to SFr2.4925 from SFr2.5050 and to FFr9.5350 from FFr9.5375. The pound's index rose 0.1 to 86.3.

The pound was not helped by comments made in Parliament by Mr John Major, the Chancellor. He told MPs all weapons must be used in the fight against inflation, and warned that the rise in mortgage rates would make the November inflation figure disappointing.

Movements in oil prices no longer have much impact on the pound, and there was no reaction to a weakening of North Sea oil on news that Opec had reached agreement on higher production for the first half of 1990.

£ IN NEW YORK

Nov.28	Latest	Previous Close
£ Spot	1.5655-1.5665	1.5575-1.5585
1 month	0.84-0.83pm	0.85-0.84pm
3 months	2.39-2.36pm	2.53-2.51pm
12 months	8.38-8.28pm	8.82-8.72pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.28	Previous
8.30 am	86.4	85.9
9.00 am	86.5	86.0
10.00 am	86.6	85.9
11.00 am	86.5	85.9
Noon	86.5	85.9
1.00 pm	86.4	86.0
2.00 pm	86.3	86.0
3.00 pm	86.3	86.1
4.00 pm	86.3	86.2

CURRENCY RATES

Nov.28	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.21142	1.37744
U.S Dollar	7	1.28486	1.13290
Canadian $	12.46	1.49943	1.32277
Austrian Sch.	6½	16.2034	14.3425
Belgian Franc	10¼	48.2818	42.7641
Danish Krone	10½	8.93813	7.91047
Deutsche Mark	6.00	2.30183	2.03695
Neth.Guilder	7.00	2.59092	2.29786
French Franc	10¼	7.85049	6.95147
Italian Lira	13½	1700.32	1502.45
Japanese Yen	3¼	183.928	162.934
Norway Krone	8	8.78716	7.75923
Spanish Peseta	-	147.785	131.416
Swedish Krona	9½	8.21026	7.27322
Swiss Franc	6.00	2.05899	1.81944
Greek Drach.	20½	210.340	186.362
Irish Punt	-	0.88461	0.772151

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Nov.27

CURRENCY MOVEMENTS

Nov.28	Bank of England Index	Morgan** Guaranty Changes %
Sterling	86.3	-24.6
U.S Dollar	69.2	-9.1
Canadian Dollar	105.1	+1.9
Austrian Schilling	109.0	+11.6
Belgian Franc	108.6	-4.2
Danish Krone	107.3	+2.1
Deutsche Mark	117.1	+24.1
Swiss Franc	107.0	+14.9
Guilder	113.4	+15.9
French Franc	101.8	-13.8
Lira	99.9	-18.7
Yen	134.2	+64.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Nov.27.

OTHER CURRENCIES

Nov.28	£	$
Argentina	1015.30-1023.45	650.00-655.00
Australia	1.9845-1.9865	1.2710-1.2720
Brazil	10.7945-10.8610	6.9102-6.9470
Finland	6.5740-6.5940	4.2160-4.2180
Greece	254.75-259.25	163.00-165.65
Hong Kong	12.2005-12.2135	7.8125-7.8145
Iran	111.50*	71.20*
Korea(Sth)	1040.55-1057.30	670.00-675.20
Kuwait	0.46520-0.46660	0.29860-0.29930
Luxembourg	58.70-58.80	37.55-37.65
Malaysia	4.2200-4.2305	2.7050-2.7070
Mexico	4147.10-4150.95	2655.50-2665.50
N. Zealand	2.6480-2.6540	1.6965-1.6995
Saudi Ar.	5.8435-5.8485	3.7500-3.7510
Singapore	3.0510-3.0565	1.9550-1.9570
S. Af (Cm)	4.0755-4.0860	2.6115-2.6145
S. Af (Fn)	6.1495-6.2730	3.9370-4.0160
Taiwan	40.70-40.80	26.05-26.10
U.A.E.	5.7210-5.7265	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Nov 28	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14 13/16-14¾	14 13/16-14 11/16	15 1/16-15	15 3/16-15 1/16	15-14 13/16	14⅞-14¾
US Dollar	8⅝-8½	8½-8⅜	8 7/16-8 5/16	8 7/16-8 5/16	8¼-8⅛	8 3/16-8 1/16
Can. Dollar	12¼-12	12⅛-11⅞	12 3/16-11 15/16	12 3/16-11 15/16	12-11¾	11 13/16-11 9/16
D Guilder	8 3/16-8 1/16	8⅜-8¼	8⅝-8½	8 9/16-8 7/16	8⅝-8½	8⅝-8½
Sw. Franc	6¾-6⅝	7-6¾	7¾-7⅝	7⅞-7¾	7⅞-7¾	7 13/16-7 11/16
Deutschmark	7⅝-7½	7⅝-7½	7¾-7⅝	8 5/16-8 3/16	8 3/16-8 1/16	8 5/16-8 3/16
Fr Franc	10¼-10⅛	10 3/16-10 1/16	10 5/16-10 3/16	10 11/16-10 9/16	10¾-10⅝	10⅞-10¾
Italian Lira	12-10	14-13	13½-12¾	13¼-12¾	13-12½	13-12 11/16
B. Fr. (Fin)	9⅞-9¾	9⅞-9¾	9 13/16-9 11/16	9 13/16-9 11/16	9 13/16-9 11/16	9 13/16-9 11/16
B. Fr (Con)	10-9⅞	10-9⅞	10⅛-9⅞	10⅛-9⅞	10⅛-9⅞	10⅛-9⅞
Yen	6 5/16-6 3/16	6½-6⅜	6½-6⅜	6 13/16-6 11/16	6 13/16-6 11/16	6 13/16-6 11/16
D Krone	12 1/16-11 13/16	12¼-12 1/16	12⅛-11 13/16	12 1/16-11⅞	11 15/16-11½	11 13/16-11½
Asian $Sing	8 7/16-8 5/16	8 3/16-8 1/16	8 7/16-8 5/16	8 7/16-8 5/16	8 5/16-8 3/16	8⅛-8

Long term Eurodollars: two years 8 3/16-8 1/16 per cent; three years 8½-8⅜ per cent; four years 8 7/16-8 5/16 per cent, five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Nov 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5555-1.5655	1.5620-1.5630	0.82-0.80cpm	6.22	2.51-2.47pm	6.37
Canada	1.8215-1.8275	1.8220-1.8230	0.42-0.31cpm	2.40	1.29-1.10pm	2.62
Netherlands	3.14½-3.17¼	3.14½-3.15½	1¾-1⅝cpm	6.43	5¼-4¾pm	6.35
Belgium	58.50-59.15	58.70-58.80	24-22cpm	4.70	74-70pm	4.90
Denmark	10.86¼-10.92¼	10.88¼-10.89¼	2⅞-2¼orepm	2.69	8⅛-7½pm	2.87
Ireland	1.0500-1.0650	1.0575-1.0585	0.35-0.30ppm	2.71	0.85-0.75pm	3.02
W. Germany	2.78-2.81¼	2.79-2.79½	1⅝-1½pfpm	6.71	4¾-4⅝pm	6.71
Portugal	242.80-244.65	242.90-243.80	2-15cdis	-0.42	103-213dis	-2.60
Spain	179.85-181.35	180.25-180.55	9-1cpm	0.33	10-2pm	0.13
Italy	2060-2075½	2060¼-2061¼	4-2lirepm	1.75	10-8pm	1.75
Norway	10.66¾-10.72¾	10.67½-10.68½	2⅝-2¼orepm	2.53	6⅝-6¼pm	2.39
France	9.53-9.59¾	9.53-9.54	3⅝-3¼cpm	4.40	10⅛-9⅞pm	4.20
Sweden	9.98¾-10.03¾	9.99½-10.00½	2⅜-2¼orepm	2.78	7¼-6⅞pm	2.83
Japan	224-225	224-225	1⅝-1½ypm	8.35	4½-4⅜pm	7.91
Austria	19.73-19.81	19.64-19.67	10⅜-9⅜gropm	6.03	30⅞-28⅜pm	6.04
Switzerland	2.48¾-2.51¾	2.48¾-2.49¾	1⅝-1½cpm	7.52	4½-4⅜pm	7.12
ECU	1.3750-1.3780	1.3750-1.3760	0.48-0.45cpm	4.06	1.41-1.36pm	4.03

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 58.80-58.90 Six-month forward dollar 4.87-4.81cpm 12 months 8.77-8.67cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5555-1.5655	1.5620-1.5630	0.82-0.80cpm	6.22	2.51-2.47pm	6.37
Ireland†	1.4670-1.4770	1.4760-1.4770	0.28-0.24cpm	2.13	1.13-1.13pm	2.94
Canada	1.1660-1.1680	1.1670-1.1680	0.35-0.40cdis	-3.85	1.07-1.16dis	-3.82
Netherlands	2.0160-2.0285	2.0160-2.0170	0.02pm-par	0.06	par-0.05dis	-0.05
Belgium	37.55-37.75	37.55-37.65	3.00-5.00cdis	-1.27	12.00-16.00dis	-1.48
Denmark	6.95½-6.98½	6.96½-6.97	1.95-2.30oredis	-3.65	6.10-6.60dis	-3.64
W. Germany	1.7845-1.7985	1.7865-1.7875	0.10-0.08pfpm	0.60	0.13-0.10pm	0.26
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.60-37.70.

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Nov.28	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.563	2.793	224.5	9.535	2.493	3.150	2061	1.829	58.75
$	0.640	1	1.787	143.6	6.100	1.595	2.015	1319	1.166	37.59
DM	0.358	0.560	1	80.38	3.414	0.893	1.128	737.9	0.653	21.03
YEN	4.454	6.962	12.44	1000.	42.47	11.10	14.03	9180	8.120	261.7
F Fr.	1.049	1.639	2.929	235.4	10	2.615	3.304	2162	1.912	61.62
S Fr.	0.401	0.627	1.120	90.05	3.825	1	1.264	826.7	0.731	23.57
H Fl.	0.317	0.496	0.887	71.27	3.027	0.791	1	654.3	0.579	18.65
Lira	0.465	0.758	1.355	108.9	4.626	1.210	1.528	1000.	0.885	28.51
C $	0.549	0.857	1.532	123.1	5.230	1.368	1.728	1131	1	32.23
B Fr.	1.702	2.660	4.754	382.1	16.23	4.243	5.362	3508	3.103	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000. Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE £/$ OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; JAPANESE YEN (IMM); POUND-$ (FOREIGN EXCHANGE); U.S. TREASURY BILLS (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); SWISS FRANC (IMM); STANDARD & POORS 500 INDEX; PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; FT-SE 100 INDEX

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 36,079
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Late firmer tone

Interest rates rose slightly after the official London close, as sterling weakened again against the D-Mark. Three-month sterling interbank firmed to 15¼-15⅛ per cent, after finishing unchanged at 15 3/16-15 1/16 per cent.

Earlier in the day there was no obvious reaction in London to a temporary improvement *by sterling. Rates did* not show any sharp rise on the previous day's fall below DM2.80, and there was therefore a lack of room for much retrenchment on yesterday's recovery. A change in UK bank base rates is still regarded as unlikely in the near future, unless the pound comes under very strong pressure.

UK clearing bank base lending rate 15 per cent from October 5

Short sterling futures opened firmer on Liffe. March delivery touched a peak of 85.79 as the pound rose, but then fell back to close just above the day's low at 85.69 and virtually unchanged on the day on lack of any optimism about lower interest rates.

The Bank of England continued to keep credit conditions generally tight in London by not taking out the full underlying shortage. A small money market credit *shortage of £100m was forecast.* Late assistance of £10m was provided, but the authorities did not operate in the bill market.

Exchequer transactions drained £100m, with bank balances below target absorbing £60m. These factors slightly outweighed bills maturing outside official hands, repayment of late assistance and a take-up of Treasury bills adding a net £63m to liquidity, and a fall in the note circulation of £15m.

In Frankfurt dealers said any further change in the Bundesbank's official interest rates is unlikely for the rest of this year. The central bank's *council meets on Thursday and* is expected to leave credit policies unchanged. The Bundesbank will also be able to give an indication of its attitude towards rates on the same day when two securities repurchase agreements totalling DM19bn expire. If these are replaced with a one-month pact at a fixed 7.30 per cent and a longer term agreement at variable rates, this would be taken as a signal that rates are to remain steady.

Call money fell to 7.20 from 7.30 per cent, suggesting that banks should have little difficulty in meeting the average reserve requirement of DM56.9bn for November. The average for the first 26 days of the month was DM57.8bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.28) 3 months US dollars		6 months US Dollars	
bid 8 5/16	offer 8 7/16	bid 8¼	offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9½
Fed funds	8⅝
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	8.09	Three year	7.77
Two month	7.96	Four year	7.80
Three month	7.93	Five year	7.81
Six month	7.86	Seven year	7.83
One year	7.75	10-year	7.85
Two year	7.80	30-year	7.91

Nov.28	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.15-7.25	7.55-7.70	7.95-8.15	8.00-8.15	8.00-8.20	8.00
Paris	10 3/16-10 5/16	10⅜-10½	10½-10⅝	10⅝-10¾	10⅝-10¾	9.50
Zurich	6⅞-7⅛	7-7⅛	-	7⅝-7⅞	-	-
Amsterdam	8.18-8.32	8.28-8.38	-	8.36-8.46	-	-
Tokyo	6 3/16-6 5/16	6⅝-6 11/16	-	6 11/16-6¾	-	-
Milan	12⅛-12⅜	12⅝-13⅛	-	12¾-13¼	-	-
Brussels	9.65	9 13/16-9⅞	-	9 13/16-9 15/16	-	-
Dublin	10⅜-10½	10 15/16-11 1/16	11 1/16-11 3/16	11¾-12	12 1/16-12 3/16	-

LONDON MONEY RATES

Nov 28	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15¾	14 13/16	15⅛	15 3/16	15 1/16	14 15/16
Interbank Bid	14½	14¾	15	15 1/16	14 13/16	14½
Sterling CDs	-	-	15 1/16	15 1/16	15	14⅝
Local Authority Deps.	14¾	14⅞	15	15	14⅞	14½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	14 13/16	14⅞	14⅝	-	-
Company Deposits	-	-	15 1/16	15⅛	15	14⅝
Finance House Deposits	-	-	15	15¼	15	14⅝
Treasury Bills (Buy)	-	-	14 13/16	14¾	-	-
Bank Bills (Buy)	-	-	14¾	14 13/16	13 13/16	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14¾	-
Dollar CDs	-	-	8.40	8.37	8.17	8.07
SDR Linked Dep. Offer	-	-	8 13/16	9 1/16	9⅛	9
SDR Linked Dep. Bid	-	-	8 5/16	8 13/16	8⅞	8¾
ECU Linked Dep. Offer	-	-	10 5/16	10⅞	10 13/16	10 13/16
ECU Linked Dep. Bid	-	-	10 1/16	10¾	10 11/16	10 11/16

Treasury Bills (sell); one-month 14 11/16 per cent; three months 14 13/32 per cent; Bank Bills (sell): one-month 14 13/32 per cent; three months 14½ per cent; Treasury Bills, Average tender rate of discount 14.4453 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1989. Agreed rates for period November 26 1989 to December 25, 1989, Scheme I: 15.66 p.c., Schemes II & III: 16.22 p.c. Reference rate for period Sept 30, 1989 to October 31, 1989, Scheme IV&V: 15.084 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989, Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

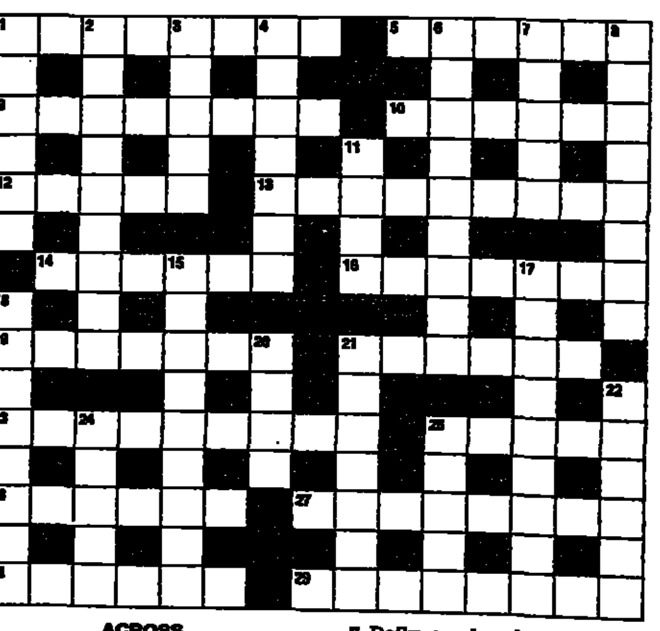
	%		%		%
ABN Bank	15	Clydesdale Bank	15	NatWestminster	15
Adam & Company	15	Comm. Bk N. East	15	Northern Bank Ltd	15
Allied Irish Bank	15	Co-operative Bank	15	Norwich Gen. Trust	15
Allied Trust Bank	15	Coutts & Co	15	Provincial Bank PLC	15
● Henry Ansbacher	15	Cyprus Popular Bk	15	R. Raphael & Sons	15
Associates Cap Corp	15	Duncan Lawrie	15	Roxburghe Guarantee	15½
Authority Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Bank of Baroda	15	Financial & Gen. Bank	15	● Smith & Williamson Secs	15
Banco Bilbao Vizcaya	15	First National Bank Plc	16	Standard Chartered	15
Bank Hapoalim	15	● Robert Fleming & Co	15	TSB	15
Bank Leumi	15	Robert Fraser & Ptnrs	15½	United Bk of Kuwait	15
Bank Credit & Comm	15	Girobank	15	United Mizrahi Bank	15
Bank of Cyprus	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of Ireland	15	● Hambros Bank	15	Western Trust	15
Bank of India	15	Hampshire Trust Plc	15½	Westpac Bank Corp	15
Bank of Scotland	15	Heritable & Gen Inv Bnk	15	Whiteaway Laidlaw	15
Banque Belge Ltd	15	● Hill Samuel	15	Yorkshire Bank	15
Barclays Bank	15	C. Hoare & Co	15		
Beneficial Bank PLC	15	Hongkong & Shanghai	15		
Brit Bk of Mid East	15	● Leopold Joseph & Sons	15		
● Brown Shipley	15	Lloyds Bank	15		
Business Mtge Bank PLC	15½	Meghraj Bank Ltd	15		
CL Bank Nederland	15	Midland Bank	15		
● Charterhouse Bank	15	Mount Banking	15		
Citibank NA	15	Nat Bk of Kuwait	15		
City Merchants Bank	15				

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.9% Sweeter 8.5% Top Tier-£10,000+ instant access 12.0% & Mortgage base rate. † Demand deposit 7%. Mortgage 15.2% - 15.6%.

JOTTER PAD

CROSSWORD

No.7,102 Set by CINEPHILE



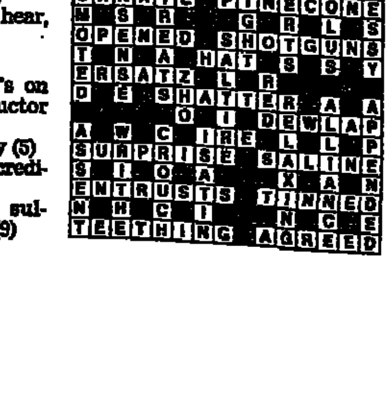
ACROSS

1 Soak spice at a price (8)
5 Engine stops in theatre (6)
9, 10 Engine primer makes glamorous person feel excitement when embracing worker (8,6)
12 Stage direction put in register (6)
13 Boycott flag? It's a gamble (8)
14 Forge piece of writing backwards: I need your following (6)
18 The control in that place (7)
19, 21 Piece of the Babylonian wonder, perhaps, putting obnoxious person to death (7,6)
23 Connective tissue curing rogue nail (9)
25, 26 Charge – marvellous sight (11)
27 Extra branch of mathematics (8)
28 Answer from the lab (6)
29 Journey on credit, we hear, maybe for altar (8)

DOWN

1, 2 Stream raging, ship's on island: skilled instructor needed (6,9)
3 It goes round either way (5)
4 Any belt wielded in a credible manner (7)
6 Thorium joints with sulphur, not appreciated (9)
7 Daily employed in Croesus' place (5)
8, 11 Not the super's role – and that isn't saying it at all (8,4)
15 Sound of very small stream on our flag (9)
17 Serve for instance politician in river Liffey (not all there) (8)
18 Any time article taken from weaver bird is included (8)
20, 21 Everyone born in happier surroundings can deal with bile (4,7)
22 Crackle at the critical moment (6)
24 Surprise, winning at tennis? (5)
25 Cursorily read a page to economise (5)

Solution to Puzzle No.7,101



WORLD STOCK MARKETS

AUSTRIA — November 28 — Sch — + or −

[illegible]

BELGIUM/LUXEMBOURG — November 28 — Frs. — + or −

[illegible]

DENMARK — November 28 — Kr — + or −

[illegible]

FINLAND — November 28 — Mks — + or −

[illegible]

FRANCE — November 28 — Frs. — + or −

[illegible]

FRANCE (continued) — November 28 — Frs. — + or −

[illegible]

GERMANY — November 28 — Dm. — + or −

[illegible]

GERMANY (continued) — November 28 — Dm. — + or −

[illegible]

ITALY — November 28 — Lire — + or −

[illegible]

ITALY (continued) — November 28 — Lire — + or −

[illegible]

NETHERLANDS — November 28 — Fl. — + or −

[illegible]

NORWAY — November 28 — Kroner — + or −

[illegible]

SPAIN — November 28 — Pts.% — + or −

[illegible]

SWEDEN — November 28 — Kronor — + or −

[illegible]

SWITZERLAND — November 28 — Frs. — + or −

[illegible]

SOUTH AFRICA — November 28 — Rand — + or −

[illegible]

JAPAN — November 28 — Yen — + or −

[illegible]

AUSTRALIA — November 28 — Aust.$ — + or −

[illegible]

AUSTRALIA (continued) — November 28 — Aust.$ — + or −

[illegible]

HONG KONG — November 28 — H.K.$ — + or −

[illegible]

SINGAPORE — November 28 — S$ — + or −

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices November 28

Quotations in cents unless marked $.

Sales — Stock — High — Low — Close — Chng

[illegible]

... 75400 CenFd A $6½ 6⅛ 6½
7000 C Guar Trc $10¼ 10⅛ 10¼
4800 Charan 80 75 80
121271 Cineplex $10⅝ 10 10⅛ − ⅜
2000 Cominco $27¼ 26⅞ 27¼ + ¼

... 587 Interhome $43½ 43½ 43½
1500 Inv Grp $21¾ 21¾ 21¾
400 Ipsco $17¾ 17¾ 17¾
20000 Ivaco A I $10¾ 10¾ 10¾

... 1185 Provigo $10 10 10
1400 Quebcor A $15¼ 15⅛ 15⅛ − ⅛
38200 Ranger $7⅛ 7 7

... I—No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Nov. 27	Nov. 24	Nov. 23	Nov. 22	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2694.97	2675.55	(c)	2656.78	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.53	93.54	(c)	93.57	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1178.34	1176.03	(c)	1166.43	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	222.46	221.58	(c)	221.33	222.46 (27/11)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2713.95 (2686.01) Low 2663.40 (2657.00)

STANDARD AND POOR'S	Nov. 27	Nov. 24	Nov. 23	Nov. 22	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	345.61	343.97	(c)	341.91	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	394.88	392.98	(c)	390.58	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	32.83	32.70	(c)	32.50	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	191.13	190.29	(c)	189.21	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	374.04	373.14	(c)	371.72	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	456.17	456.63	(c)	455.14	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov 24	Nov 17	Nov 10	year ago (approx.)
Dow Industrial Div. Yield	3.97	3.93	3.94	3.82

	Nov 22	Nov 15	Nov 8	year ago (approx.)
S & P Industrial div. yield	2.98	2.98	3.00	3.27
S & P Indl. P/E ratio	14.51	14.40	14.29	12.39

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Texas Utilities	2,047,700	35½	+ ½
NCNB (xd)	5,150,900	47⅞	+ 1
Chevron	3,331,200	68⅛	+ 3⅛
Gen Electric	2,347,900	61⅜	+ 1⅜
Philip Morris	1,738,000	41½	...
Exxon	1,381,600	46⅞	+ 1
Texaco	1,286,500	54	+ ⅛
IBM	1,245,400	99⅜	− 1
Am T & T	1,182,000	43⅛	− ⅝
Unisys Corp	1,180,000	15⅛	− ⅛

TRADING ACTIVITY

† Volume Millions	Nov 27	Nov 24	Nov 23
New York	149.390	86.290	(c)
Amex	11.289	6.631	(c)
NASDAQ	108.176	53.676	(c)
Issues Traded	1,971	1,891	-
Rises	860	914	-
Falls	596	457	-
Unchanged	515	520	-
New Highs	76	62	-
New Lows	28	21	-

CANADA

TORONTO	Nov 27	Nov 24	Nov 23	Nov 22	1989 HIGH	1989 LOW
Metals & Minerals	3339.24	3342.52	3337.66	3351.96	3919.2 (1/9)	3207.5 (3/1)
Composite	3930.70	3933.48	3915.77	3920.55	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	1997.73	2001.45	1993.68	1993.68	2069.68 (10/10)	1677.48 (3/1)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 28	Nov. 27	Nov. 24	Nov. 23	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1600.4	1614.1	1615.9	1631.9	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	805.8	821.4	822.9	834.5	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	415.95	414.14	409.08	407.60	515.09 (11/10)	239.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6565.62	6571.81	6574.12	6578.57	6605.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	356.94	358.59	359.26	358.99	359.26 (24/11)	275.49 (27/2)
FINLAND						
Unitas General (1975)	590.5	590.2	591.4	580.8	815.8 (18/4)	580.8 (23/11)
FRANCE						
CAC General (31/12/82)	524.2	522.8	519.6	517.8	561.6 (11/10)	417.9 (4/1)
Ind. Tendance (30/12/88)	120.0	119.7	119.4	118.4	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	656.53	660.60	655.28	648.36	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	1931.7	1945.9	1932.8	1911.0	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1550.40	1554.37	1555.51	1534.68	1658.12 (11/9)	1271.70 (13/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2760.08	2777.10	2808.53	2800.79	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1685.78	1678.82	1678.81	1677.22	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	667.27	670.71	670.36	667.88	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	36985.30	36881.53	36484.47	(c)	36985.30 (28/11)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2799.94	2795.38	2759.60	(c)	2799.94 (28/11)	2366.91 (6/1)
2nd Section (4/1/68)	3693.70	3698.61	3708.07	(c)	3804.11 (9/10)	2774.38 (27/3)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	254.6	254.8	253.4	252.8	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	195.4	195.6	194.5	194.1	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	613.49	612.23	615.54	614.30	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1343.25	1352.10	1369.41	1375.55	1396.26 (20/11)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1404.06	1393.65	1385.27	1378.05	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2066.0‡	2135.0	2149.0	2102.0	2149.0 (24/11)	1291.0 (15/2)
JSE Industrial (28/9/78)	2568.0‡	2573.0	2578.0	2578.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA **						
Korea Comp Ex. (4/1/80)	893.85	896.61	907.44	890.65	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	305.66	304.10	301.13	300.14	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	3962.0	3899.2	3875.4	3884.5	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	754.9	755.0	754.0	750.7	829.1 (6/9)	613.1 (3/1)
TAIWAN **						
Weighted Price (30/6/66)	9040.09	9588.07	9878.61	10094.44	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	760.07	755.97	751.58	762.21	792.20 (21/11)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	543.6	538.8	534.1	551.2 (3/8)	487.6 (13/6)

**Saturday Nov.25: Taiwan Weighted Price: 9773.56. Korea Comp Ex. 905.89.
‡ Subject to official recalculation.
Base values of all Indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday November 28 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo M Ids	100.3m	844	+14	Sumitomo Mt M	27.6m	2,290	0
Nippon Steel	88.1m	813	+14	Mitsui Rl Est	27.6m	3,240	+30
NKK	45.8m	813	+15	Mitsui E&S	26.9m	958	-2
Kawasaki Steel	32.9m	868	+3	Hitachi Zosen	25.7m	898	+8
Marubeni	30.6m	1,000	0	Kobe Steel	25.3m	820	+9

3pm prices November 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	22⅛	AAR	.48	1.4	22	76	35¾	35¼	35½	+ ¼
9⅝	8⅝	ACM n	1.01	11.		230	9½	9⅜	9½	+ ⅛
11⅝	10¾	ACMIn	1.26	11.		310	11⅜	11¼	11⅜	
10⅛	8	ACM M	n1.01	11.		506	9	8⅞	8⅞	+ ⅛
11½	10	ACM Sc	1.26	11.		620	11¼	11⅛	11⅛	– ⅛
9⅝	8⅞	ACMSp	1.01	11.		309	9¼	9⅛	9⅛	
18	11½	AL Lab	.12	.8	16	63	16	15⅞	16	
4⅛	3⅛	AMCA	.12e	3.4	28	30	3½	3½	3½	+ ⅛
6⅛	4½	AM Intl			11	380	5⅛	5	5	– ⅛
20½	19⅞	AM In pf	2	9.9		12	20⅛	20	20⅛	– ⅛
107¼	49⅝	AMR			8	2895	65⅞	65	65¼	– ⅞
27	25	ANR pf	2.67	10.		5	25⅞	25⅞	25⅞	
24⅞	23⅛	ANR pf	2.12	8.9		2	23⅞	23⅞	23⅞	
6½	3⅝	ARX				68	3⅞	3⅝	3⅞	
67½	37⅞	ASA	3a	5.4		2100	56	54	55¼	+ ¼
30¼	15¾	AVX	.26	.9	28	1690	29⅛	28⅞	28⅞	– ⅜
70⅞	44½	AbtLab	1.40	2.0	19	1972	70	69	69½	– ⅝
18¼	12¼	AbitiBi g	1			39	13	12⅞	13	+ ⅛
13	7⅞	AcmeC	.40	4.1	13	167	9⅞	9⅝	9⅞	
9⅞	5⅞	AcmeE	.32	3.9	11	14	8⅛	8⅛	8⅛	+ ⅛
38½	20⅛	Acuson			24	210	37	36⅞	36⅞	– ⅝
15⅝	12⅞	AdaEx	2.08e	13.		150	15⅝	15¼	15⅜	
12⅞	8½	Adobe				146	12⅞	12¼	12⅞	+ ⅜
19⅞	16½	Adob pf	1.84	9.9		2	18⅝	18⅝	18⅝	
21⅝	19⅞	Adob pf	2.40	11.		11	21	20⅞	21	+ ½
10½	7⅛	AMD				1671	7⅞	7½	7½	– ⅛
35	28½	AMD pf	3	10.		7	30⅛	30	30⅛	+ ¼
10⅛	6⅝	Advest	.16	1.8	13	37	9	8⅞	8⅞	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices November 28

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Preed A	.10		5	8	8	8	
PrcCm a			489	4⅞	4¾	4⅞	+ ⅛
Prism		12	35	3	2⅞	3	
ProMed	.42	13	14	6⅛	6⅛	6⅛	
ProfCre		14	6	6⅝	6⅝	6⅝	− ⅛
− R−R −							
ReCap		13	112	14¾	14¾	14¾	+ ¼
Riedel		25	6	13⅝	13½	13½	
Rogers	.12		11	26½	26⅜	26⅜	
Rudick	.40a	13	z87	26¾	26¼	26⅝	+ ⅛
− S−S −							
SJW	1.82	16	1	27¼	27¼	27¼	+ ¼
Salem		2	6	9¼	9¼	9¼	
Schelb	.36	64	1	14⅝	14⅝	14⅝	+ ⅛
SikesA	.24	13	16	15	14⅝	14⅝	− ⅜
SpedOP		3	15	4⅛	4⅛	4⅛	− ⅛
Spelling		23	120	11⅞	11⅜	11⅜	− ¼
SterlEl	.06e	8	85	2½	2⅜	2⅜	
SterlSft		11	124	8⅛	8	8	
Synaloy	.40	6	41	10¼	10	10⅛	
− T−T −							
TIE			416	1⅜	1¼	1¼	
TII			24	1¼	1⅛	1¼	
TabPrd	.20	19	1	13¼	13⅛	13⅛	− ⅛
TandyB		16	110	21⅞	21½	21⅞	
TelDta	.28	110	260	38⅝	38	38⅛	
Teleph			598	3⅜	3⅛	3⅛	− ⅛
TempIE	.30e		49	13⅛	13	13	− ⅛
TexAir			1591	13⅛	13	13⅛	+ ⅛
Thermd		164	162	14⅞	14½	14⅞	
Thriles		24	34	17½	17	17⅛	
TodPet	.80	10	179	26¾	26½	26½	− ⅛
TwCty		23	82	7	6⅞	7	+ ⅛
TubMex			34	5⅞	5½	5½	− ⅛
− U−U −							
Unicorp	.22j		261	2⅛	2⅛	2⅛	
UFoodA		28	13	2⅛	2⅛	2⅛	
UFoodB		23	10	2⅛	2⅛	2⅛	− ⅛
US Cell			85	29	28⅜	28⅝	− ⅜
UnvPat			24	7⅛	7	7	− ⅛
− V−W −							

NASDAQ NATIONAL MARKET

3pm prices November 28

Stock	Div.	Sales 100s	High	Low	Last	Chng
Wyman	.60	489	14½	14¼	14½	
−X−Y−Z−						
XL Dta s	11	619	15⅛	14	14⅛	− ⅛
XOMA		2328	21	20⅜	20⅜	
Xicor	6	977	4⅛	3⅞	4	
YanEnS	.78e	226	21⅜	21⅛	21⅜	
YelowF	.76 12	753	26⅝	26	26½	+ ⅛
YorkRs		192	7⅛	6⅞	7⅛	+ ⅛
ZionUt	1.44	191	29½	28¾	29¼	+ ¼

AMERICA

Dow edges higher despite going back on defensive

Wall Street

AFTER Monday's surprising rally in blue chip issues, despite the confusion over whether the US Federal Reserve had eased monetary policy last week, the Dow Jones Industrial Average was back on the defensive yesterday, *writes Janet Bush in New York.*

The Dow fell about 10 points in early trading, but then rebounded to show slight gains at midsession. At 2 pm, the Dow was up 1.06 at 2,696.03 in moderately active trading of 99m shares. The Dow rose 19.42 on Monday to 2,694.97, the highest close since the market's plunge of 190 points on October 13.

SHARES IN Petrobas, Brazil's state-controlled oil company, have plummeted on worries over its financial difficulties. Prices had fallen 19.7 per cent in the three sessions to Monday, when they closed at 14.700 cruzados per 1,000 shares.

The most important aspect of the current market is the fact that the sharp rise in the Dow over the last few trading sessions has not been matched by other, broader and more representative indices such as the Standard & Poor's 500, which was virtually flat on Monday.

At yesterday's midsession, the S&P 500 was quoted only marginally higher, up 0.71 point at 346.32. The American Stock Exchange Index was 0.44 up at 374.48 and the Nasdaq Composite showing a marginal 0.22 point gain at 456.39.

The Dow had risen in the four previous sessions, piling on more than 60 points – an impressive showing given evidence of slowing economic growth and an interest rate policy clouded by uncertainty.

One of the encouraging factors for this advance was the widely held belief that the Fed had eased monetary policy by another notch last Wednesday, taking the target for Fed Funds to 8¼ per cent from 8½ per cent. Draining operations on both Friday and Monday seriously undermined that belief and the Fed Funds rate returned to 8¾ per cent at yesterday's midsession.

Some equity analysts attributed the relative stability of the stock market to confidence that, if there was no easing last week, there will be one soon which will finally induce commercial banks to lower their prime lending rates to 10 per cent from 10.5 per cent.

The Dow is hovering just below technical resistance at the 2,700 to 2,710 level which may make it difficult to make further progress.

Among featured issues was Chevron, which fell $1⅞ to $66⅝ as investors took profits after the stock's $3¾ jump on Monday on news that the company had created an Employee Stock Ownership Plan to buy back $1bn shares.

Dayton Hudson fell $1⅞ to $64 after Sanford C Bernstein, a respected brokerage, cut its investment rating on the stock to a hold.

Sea Containers added $⅝ to $63⅞ after the company announced that the Bermuda Supreme Court had cleared the way for its planned repurchase of common shares for $70 a share. This is designed to fend off a hostile takeover by Temple Holdings.

Precious metals stocks continued to slide as the gold price fell further from last Friday's peaks. Newmont Gold slipped $⅝ to $49¼ and Battle Mountain Gold dipped $⅛ to $17⅛.

Canada

QUIET trading featured again on the Toronto bourse amid continuing uncertainty over interest rates. The composite index lost 3.4 to 3,827.3 on volume of 13.7m shares. Declines led advances by 294 to 162.

Cineplex shares again dropped on speculation that it would not be able to find financing for a proposed takeover. Its shares fell C$⅛ to C$10¼.

Lac Minerals traded heavily, leading all issues with volume of 2m shares. Its shares rose C$⅛ to C$14 in an otherwise depressed gold market.

EUROPE

Bonds and company news provide focus in thin day

TURNOVER WAS mostly lower on the Continent yesterday, where bourses had a rather mixed day, with West Germany responding to a decline by bonds and other bourses focusing on a smattering of corporate news, *writes Our Markets Staff.*

FRANKFURT was rocked by a sharp fall in West German bond prices, but ended above its intra-day lows with the DAX index closing 3.97 down at 1,550.40. Volume fell from DM5.2bn to DM4.2bn.

Earlier, a steep decline in the West German bond futures contract traded on the London International Financial Futures Exchange (Liffe) triggered selling in the German bond market; equities responded with the FAZ index closing 4.07 lower at 656.53 and the DAX losing more than 10 points at one stage.

However, the foreign investor seems to have come back in a limited way for recent favourites, such as Siemens, which rose DM1.40 to DM611.70, and Deutsche Bank, which was unchanged at DM696. These two topped the most active stocks list in turnover of DM648m and DM478m respectively, far ahead of other companies in the list.

Elsewhere in banks, Commerzbank and Dresdner improved, by DM2 to DM257.50 and DM1 to DM355.50 respectively, before interim reports; Commerzbank's came immediately after hours.

PARIS relied on corporate news from Suez to provide the interest, as most shares eased in modest volume. Investors were cautious, as the weakness of the franc against the D-Mark reinforced expectations of an interest rate rise.

Suez, *the financial* group, gained FFr3.10 to FFr412 in busy turnover of 252,000 shares, on news that it was taking a 23 per cent stake in Baltica Holding, the Danish insurer, for about FFr2.2bn. In turn, Baltica will take 3 per cent of the French company.

Suez is also expected to make a capital gain out of shares in Morgan Grenfell, the UK merchant bank, which has agreed to a takeover bid by Deutsche Bank. One analyst said, however, that any gain would be small compared with Suez's overall earnings, and the stock's rise yesterday had been mostly in response to the Baltica deal.

One of the biggest declines was by UCB-Locabail, the credit institution, which has been losing ground since announcing lower nine-month earnings last week. It lost FFr22.10 to FFr472.90.

The OMF 50 index slipped 0.38 to 508.94 and turnover was estimated at FFr1.7bn to FFr1.8bn.

MILAN rebounded slightly to close above the day's lows, but the Comit index still ended 3.44 down at 667.3 in turnover estimated at about L170bn.

Fiat's confirmation of a sizeable joint venture in the Soviet Union, one of many such deals expected to be announced as Mr Mikhail Gorbachev, the Soviet leader, visits Italy this week, left the shares L160 lower at L11,135 after a run of increases; they recovered to L11,170 in late trading.

MADRID enjoyed another rise, with construction and banking shares leading the way on institutional buying. The general index gained 1.56 to 305.66, creeping closer to the 310 resistance level.

Valenciana de Cementos Portland, Spain's largest cement producer, rose 50 percentage points to 4,050 per cent of par. Aker of Norway boosted its *stake to 24.8* per cent.

STOCKHOLM's revival continued with the Affärsvärlden General index 16.3 higher, after Monday's 7-point gain, at 1,152.2. Turnover rose from SKr225m to SKr290m; blue chips were prominent, with Electrolux free B shares heavily traded, and SKr9 higher at SKr252.

AMSTERDAM share prices hardly moved in quiet trading, as investors worried about rising interest rates and lower bonds. The CBS tendency index was unchanged at 182.2.

One sector attracting more interest was insurance, where Aegon added Fl 1.30 to Fl 111. NatNed gained 40 cents to Fl 70.10 and Stad Rotterdam rose 70 cents to Fl 47.80. Aegon reports third-quarter figures today.

Retailer Ahold, which also releases results today, gained 40 cents to Fl 131.40.

ZURICH saw the Crédit Suisse index lose 1.9 to 616.8 in quiet trading. Institutional investors, said dealers, were noticeable for their indolence.

COPENHAGEN suffered from nerves about politics following Monday's disagreement between the Government and opposition in budget discussions on Monday. The bourse index eased 1.65 to 356.94.

Investors were also awaiting news of the Baltica Holding talks with Suez of France, which came after the close. Baltica remained suspended. Also in the financial sector, Hafnia Holding lost DKr6 to DKr673.

HELSINKI closed slightly higher in quiet trading. The Unitas all-share index rose 0.3 to 590.5. The total volume was FM31m.

OSLO reported thin trading, closing slightly higher, helped by a marginal fall in interest rates. The all-share index closed 1.5 higher at 476.22 in turnover worth NKr211m.

BRUSSELS *was also* quiet, high interest rates keeping investors away. The cash market index closed at 6,565.62, down 6.19.

Gold rally casts uneven gleam on equities

William Cochrane looks at stock market reaction in the wake of the recent price surge

THE GOLD price rally since October 6, which took bullion up by 16 per cent to more than $420 an ounce before this week's correction, has sent wide, but disparate, ripples across the world's equity markets.

They extend to the Philippines, where there is mining capacity and speculative enthusiasm; West Germany, where Degussa has a gold refining operation; and Japan, where Sumitomo Metal Mining has risen by 32 per cent since the end of September.

However, in the sector's three main homes, North America, Australia and South Africa, the pattern of stock market response has varied widely, according to the mining team at Kleinwort Benson.

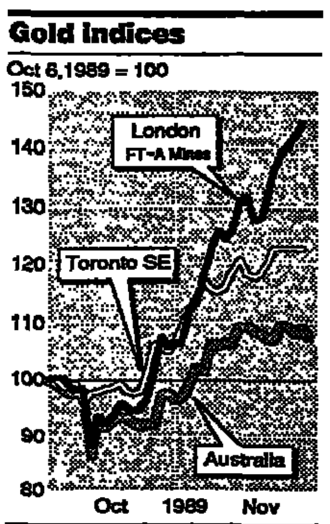
Over that period, the FT Gold Index (composed entirely of South African gold shares) rose by 44 per cent; Toronto golds, the North American indicator, by 21 per cent; and Australian golds by only 7 per cent.

One reason for the disparity, says Mr Huw Williams of the Kleinwort team, is that South Africans used to form the core gold holdings of international institutions; but they lost that status in 1985, when a state of emergency was declared and a two-tier system of exchange rates for foreign investors was introduced. Now they are marginal, trading stocks according *to some,* and volatile in consequence.

That volatility has paid off, possibly for US investors who were back in force in that market last week. South African names such as Doornfontein, Unisel and Kinross have seen rises of 79, 65 and 51 per cent respectively over the seven weeks of the rally.

The North Americans, once mostly Canadian, now tend to be US-aligned at the big end of the market. Names such as Newmont, up 36 per cent over the rally, and American Barrick, up 28 per cent, have taken over the core holding role from the South Africans, along with *some of the bigger Australian* companies.

Gold indices



However, the age-old game of speculating in the marginals persists: Galactic and Pegasus top Kleinwort's North American list, with rises of 45 and 39 per cent respectively. Galactic, *notes Mr Williams, looked to* be coming towards the end of its useful life a few months ago, and Pegasus is a very high cost operation; but a sustained increase in the bullion price changes the economics at the margin.

Australians, meanwhile, say that on a rise in the gold price, international investors always look at Canada and South Africa first. Australia is associated *with a producers'* tendency to sell the metal forward and even out the swings in bullion prices – even though some of these contracts allow the miners to get the benefits of higher prices eventually.

There is, to boot, some heart-searching over the planned imposition of the standard, 39 per cent Australian corporate tax rate on gold producers (which are currently free of tax) from January 1, 1991.

Price gains in Sydney have varied from an eminently respectable 28 to 30 per cent bracket, led by Kidston, Homestake Australia and *Dominion, to actual declines.* Poseidon, down 4 per cent, is not moving as it did when leader of the Australian nickel boom in the late 1960s; reborn and hugely expanded as a gold mining arm of the Perth entrepreneur, Mr Robert Champion de Crespigny, it is having a rights issue and taking the stock market consequences.

Even in Poseidon, says one observer, the game was there if you looked for it. At one stage in the bullion rally, the rights themselves rose from 35 cents a share to 81 cents.

Looking ahead, there seems to be a dichotomy on the bullion price: between those who do not trust recent levels, and those who expect a further rise after a period of consolidation.

Mr Andrew Rose, technical analyst at James Capel, foresaw a break in the bullion uptrend at a seminar held by the brokers in London last week. In the medium term, however, he saw $440 as the only main resistance point on the upside; and if it gets past that, he said, there would be "a very *substantial rise*" as a long-term prospect.

ASIA PACIFIC

Nikkei rises to fifth consecutive record level

TAIWAN suffered its sharpest one-day fall ever as confidence vanished in the face of national and local elections on Saturday. The weighted index lost 547.98, or 5.7 per cent, to 9,040.09 – its lowest level since July 28.

Of the 180 stocks, 159 fell by the daily limit of 7 per cent and only five issues rose. Volume declined to 621m shares worth T$75bn, from 675m and T$87bn on Monday.

The index has fallen 14 per cent since **November 14; the market has been disappointed by the absence of a rebound in the run-up to the elections.**

The Government's postponement of talks on capital gains tax, together with economic worries, have added to uncertainty.

Tokyo

A LATE wave of buying easily wiped out earlier hesitation in the face of higher prices, and led equities to a fifth consecutive record on robust volume yesterday, *writes Michiyo Nakamoto in Tokyo.*

After four days of highs, share prices appeared at first to be losing their momentum, and drifted moderately lower. Activity, particularly by index funds, picked up later to blow away the sluggishness and lift the Nikkei 103.77 points to just below the 37,000 level at a record 36,985.30. The day's high was only slightly above that at 36,987.16 and the low was 36,825.58.

The rise in prices, however, was confined to the 425 issues that advanced against 515 that declined and 194 that closed unchanged. Volume picked up substantially to 1.6bn shares from the 1bn traded on Monday. The Topix index of all listed shares added 4.56 to 2,799.94 and, in London trading, the ISE/Nikkei 50 index closed at 2115.40, 0.62 up on the

Some analysts said that dealers had made an effort to drum up activity before the first day of trading in December. But yesterday, there was also the kind of volume that has not been seen since June 1, indicating that institutional investors were also in on the action.

With the prospect of political uncertainty postponed until some time early next year, when national elections are likely to be held, investors hope to make gains while interest rates and currency markets are stable and contribute to the traditional, year-end rally.

Attention turned yesterday to issues boosted by strong domestic demand, particularly the large-capital steels and constructions. Renewed interest in those sectors was attributed partly to stable currencies and interest rates, and partly to a *cyclical shift of focus. At the* same time, institutional investors were said to be eager to see such issues rise as they have held on to a fair number of shares which they bought at high levels.

Steels accounted for half of the issues on the most actives list. Sumitomo Metal Industries led with 100.3m shares traded and a rise of Y14 to Y844. Sumitomo is popular for its rising momentum and on expectations that an oil project in the Soviet Union would boost its sales of seamless pipes there.

Nippon Steel followed in volume with 88.1m shares and a gain of Y14 to Y813. NKK was third with 45.8m shares and a Y15 rise to Y813.

Among constructions, Shimizu advanced Y40 to Y2,460.

Real estate companies also gained ground. Mitsui Real Estate went up Y30 to a high for the year of Y3,240 and Mitsubishi Estate firmed Y110 to Y2,720. Both companies have large holdings in areas that are likely to be redeveloped.

In Osaka, large-capital issues were strong, helping the OSE average gain 209.76 to breach the 38,000 mark for the first time, closing at 38,048.61. Volume soared to 227m shares from 108m on Monday.

Roundup

IT WAS a mixed day in the Asia Pacific region, with markets focusing on individual concerns. The falling bullion price knocked Australia, while Singapore's winning streak continued.

AUSTRALIA was discouraged by a fall in the gold price and the strength of the local dollar, and profit-taking pushed share prices lower. The All Ordinaries index lost 13.8 to 1,600.4, its lowest level since July 20, on volume of 133m shares worth A$231m, well up on Monday's 91m and A$146m.

Bond Corp fell 1 cent to 30 cents after extending the deadline for its planned brewing joint venture with Lion Nathan for a fifth time on Monday. Bond associate Bell Resources lost 9 cents to 76 cents and Bond Media retreated 5 cents to 15 cents, after reaching a record low of 14 cents earlier. Late yesterday, the Australian Stock Exchange said it had asked Bond Media to explain the fall in its share price.

NEW ZEALAND made a slight rise, with the Barclays index up 1.48 at 2,063.81 in trading boosted by a large block of Goodman Fielder Wattie shares. Volume was 34m shares worth NZ$78m, compared with Monday's 6m shares worth NZ$10m. Yesterday's figure included 26.1m Goodman Fielder shares worth NZ$66.8m, with 25m, or 2.5 per cent of the company's issued shares, sold in one off-market parcel at NZ$2.57. The stock added 2 cents to NZ$2.45.

SINGAPORE rose for the sixth session in a row, although profit-taking restricted gains. The Straits Times industrial index added 10.41 to 1,404.06, although there were as many declining shares as advancing ones.

HONG KONG declined again in the thinnest volume for five weeks. The Hang Seng index lost 17.02 to 2,760.08 on turnover of HK$636m, down from HK$643m.

SOUTH AFRICA

GOLD SHARES dipped sharply in nervous trading on the back of continued profit-taking in the Johannesburg market. Bullion prices closed at below $410. The JSE all-gold index fell 71 points to 2,066, while the overall index closed down 43 at 2,868.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 27 1989						FRIDAY NOVEMBER 24 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	145.23	+0.0	137.98	123.11	−0.2	5.52	145.29	137.86	123.31	160.41	128.28	147.13
Austria (19)	147.66	+1.3	140.29	137.41	+0.6	1.77	145.74	138.29	136.59	172.22	92.84	97.94
Belgium (63)	147.62	+0.7	140.25	137.06	−0.1	4.04	146.55	139.06	137.16	147.62	125.58	133.55
Canada (122)	148.97	−0.1	141.53	125.89	−0.1	3.23	149.06	141.44	126.02	154.17	124.67	120.45
Denmark (36)	231.98	+0.6	220.40	219.20	−0.3	1.44	230.49	218.71	219.91	231.98	165.35	152.29
Finland (26)	118.90	−0.4	112.96	105.23	−0.5	2.68	119.32	113.22	105.73	159.16	118.63	134.29
France (126)	138.26	+1.1	131.36	132.57	+0.3	2.80	136.77	129.77	132.16	139.94	112.57	110.20
West Germany (96)	103.78	+1.6	98.60	96.57	+0.8	2.16	102.13	96.90	95.84	103.84	79.56	85.98
Hong Kong (48)	117.35	−1.4	111.49	117.67	−1.4	4.84	118.96	112.88	119.31	140.33	86.41	108.46
Ireland (17)	162.76	+1.0	154.64	155.54	+0.1	2.85	161.18	152.93	155.39	166.69	125.00	131.11
Italy (97)	92.60	+0.7	87.97	91.37	+0.0	2.50	91.97	87.26	91.37	96.73	74.97	84.59
Japan (455)	193.11	+1.5	183.47	174.98	+1.4	0.46	190.26	180.53	172.52	200.11	164.22	186.00
Malaysia (36)	203.22	+0.3	193.07	211.40	+0.2	2.51	202.54	192.18	210.93	209.22	143.35	140.06
Mexico (13)	287.54	−0.1	273.19	834.69	+0.3	0.62	287.89	273.17	832.56	326.61	153.32	182.24
Netherland (43)	*131.13*	+1.4	*124.58*	*120.75*	+*0.5*	*4.40*	*129.32*	*122.70*	120.20	131.72	110.63	109.04
New Zealand (18)	74.84	−0.1	71.11	67.48	−0.3	5.29	74.94	71.11	67.71	88.18	62.64	70.34
Norway (24)	173.55	+0.3	164.88	161.06	−0.1	1.68	172.97	164.13	161.17	198.39	139.92	126.64
Singapore (26)	163.23	+0.0	155.08	146.91	+0.0	2.04	163.24	154.89	146.95	170.62	124.57	119.96
South Africa (60)	172.00	−0.7	163.41	149.49	−0.4	3.83	173.29	164.43	150.02	173.29	115.35	126.65
Spain (43)	158.49	+1.1	150.58	138.08	+0.5	3.79	156.76	148.74	137.46	169.75	143.14	152.12
Sweden (35)	163.70	+1.1	155.53	154.97	+0.7	2.21	161.98	153.70	153.95	188.94	138.45	133.76
Switzerland (64)	89.95	+0.9	85.46	89.48	+0.2	2.11	89.17	84.61	89.28	94.16	67.81	79.38
United Kingdom (305)	141.61	+0.0	134.54	134.54	+0.1	4.57	141.65	134.41	134.41	158.41	133.28	136.97
USA (546)	140.27	+0.4	133.26	140.27	+0.4	3.31	139.64	132.50	139.64	146.29	112.13	109.44
Europe (994)	127.47	+0.7	121.11	120.06	+0.3	3.50	126.61	120.14	119.74	132.95	112.63	114.00
Nordic (121)	168.12	+0.7	159.72	152.41	+0.1	1.87	166.89	158.36	152.23	178.38	137.95	129.76
Pacific Basin (668)	188.31	+1.4	178.91	170.64	+1.3	0.71	185.73	176.23	168.42	194.72	160.44	181.27
Euro−Pacific (1662)	164.05	+1.2	155.86	150.42	+1.0	1.59	162.16	153.87	148.95	166.98	141.56	154.35
North America (668)	140.68	+0.4	133.66	139.36	+0.4	3.31	140.10	132.94	138.78	146.66	112.79	110.02
Europe Ex. UK (689)	117.63	+1.2	111.76	111.10	+0.4	2.79	116.29	110.34	110.68	118.51	96.30	99.54
Pacific Ex. Japan (213)	130.85	−0.4	124.32	117.04	−0.5	4.93	131.40	124.68	117.63	140.05	111.93	124.66
World Ex. US (1857)	163.68	+1.1	155.51	149.81	+0.9	1.66	161.89	153.61	148.41	166.35	141.49	152.91
World Ex. UK (2098)	155.52	+1.0	147.76	147.74	+0.8	1.97	154.01	146.13	146.51	156.04	136.98	136.18
World Ex. So. Af. (2343)	154.15	+0.9	146.45	146.48	+0.8	2.17	152.76	144.95	145.33	155.92	136.67	136.29
World Ex. Japan (1948)	135.76	+0.5	128.98	131.81	+0.3	3.44	135.14	128.23	131.40	140.43	114.51	112.28
The World Index (2403)	154.25	+0.9	146.55	146.49	+0.8	2.19	152.88	145.07	145.36	155.89	136.68	136.23

Constituent change 28/11/89: Deletion: Telerate (US). Latest prices were unavailable for this edition.